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"Does Quality Design Have A Value?"

**Master of Architecture Dissertation Submitted to the
Mackintosh School of Architecture**

By Arthur Townsend Kirk B.Arch. Dip.Arch

June 1989

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The following work with all its deficiencies would not have been embarked on without the generous sponsorship of the Scottish Development Agency whose drive for Quality for Scotland seems limitless, and I hope my efforts in this work may help them in their quest.

I extend my profound gratitude to all those who allowed themselves to be subjected to interview and gave their time freely without restriction. Once again I find myself in debt to many librarians for their inexhaustible patience and advice, particularly the staff of the Mackintosh School Library, The Mitchell Library and Glasgow University Library. A special word of thanks to Jan Chrichton and my lasting gratitude to Mr Tony Vogt for his gentle guidance and continuous encouragement. Finally to my family and friends whose support has sustained me through my doubts and depressions.

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9.	Mr Larkin	Jones Lang & Wooton	London *
10.	Mr P Bell	Conran Roche	London *
11.	Mr C Randell	Roger Malcolm Homes	London *
12.	Mr G Watson Mr Chanin	Stuart McColl Design " " "	London *
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21.	Mr L Davis	Thamesmead Town	Thamesmead
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23.	Mr J Burke	Ravenstone Ltd	Glasgow

* Recorded interviews; Transcripts submitted in Chapter 9.

INTRODUCTION

This study was initiated by the design team of the Scottish Development Agency. Who posed the question "Does Quality Design have a Value?" It would seem self-evident to those engaged in design work, that design has an inherent value which requires no further investigation. However true this may be there are for those who fund design, especially in the building industry, few clear indicators of what that value is. The first aim of the study has been to attempt to show what Value Quality Design actually has and where it is most likely to be found.

The question has arisen from the sponsoring body, the Scottish Development Agency's, desire to provide themselves with a tool which they hope to use to encourage better quality design standards in the projects they fund. To satisfy this, the study from the outset has been aimed at providing the necessary information to enable the tool to be constructed. The limits of the study were originally set by the sponsoring body as those buildings containing economic activity. Thus directing the main thrust of the work at speculative office building and industrial development. However, both the retail industry and the housing market were found to be extremely helpful. Geographically the study has been confined to the Scottish Market and the speculative work in the London Area.

Based on the premises that those who control the financial input into the project, eventually dictate the outcome in terms of Quality Design, the study has not been a philosophy survey of an Architects view, of what constitutes Quality Design, but rather an attempt to understand the enablers or developers of commercial and industrial buildings,. To achieve this, the first step was to analyse the whole development process, the role of individuals and companies who play a part in the process. This action, it was hoped, would expose what they perceive as Quality Design, what motivates them to use it and what value they attribute to it. Having accepted the prime role of the developer the major factors which influences him had also to be examined closely.

The strategy of the work was generated by the lack of documentary evidence, and the desire to obtain up-to-date information on both the local and national situation. The study embarked on a series of interviews based on a snowball sample, initiated by the sponsor, believing that this would be the most expedient method. Confounded by many variables and developers natural desire for secrecy, the interviews were designed to allow the subjects to outline their Modus Operandi, their motives; methods of funding and their attitude to design. The facts from the interviews have been collated and analysed enabling conclusions to be drawn.

From the outset the research was compelled to produce some working definitions of the terms contained in the question, along with the definitions it found necessary to introduce the concept of a Standard Building to provide the work and the interviews with a base line. The difficulty with the definitions was that they had to be framed and shaped to allow the wide interpretation of the elements they outlined. It was also necessary to define clearly the type of project, developer and funding bodies.

The subjective terms contained in the question were given definitions for this work as follows:-

Value is seen as an element in the project that the market considers is worth paying for.

Quality Design is a conscious decision to move from the "Standard Building" while maintaining a viable project.

The concept of the "Standard Building" is seen as a building that provides the basic levels of functions, servicing and management that the market will accept and supplies an acceptable return.

Speculative Development has its roots in the industrial period when both Church and State took a back seat while the individual industrial developer, and the speculative developer whose only motive was cash profit, prospered. Railway development may be taken as an example of this speculative wave. Thomas Cubitt developed the Duke of Bedford's

Bloomsbury Estate as a speculative venture, and may be seen as the forerunner of today's development companies. Robert Owen, Titus Salt and others brought the final motive into development, that of socially motivated developments. For them profit was seen as a well ordered healthy society where Quality Design provided buildings and Towns fit for people. However they also demonstrated that building development itself had the capability to generate profit.

Sidney Waterlow and later George Peabody were providing funds for buildings through companies formed to channel resources into building development. The modern property development companies and the commercial development industry has its roots in this period. The industry grew in tandem with the changing political attitudes and legislation recognising the importance of the built environment to the industrial and economic health of the nation. The speculative market took a large step forward after the 1954, Landlord and Tenants Act, which ensured tenants had security of tenure in return for an agreement to accept leases with rental review provisions for the owner. These two factors coupled to the increasing investment by the whole population particularly after 1945 in pension funds and insurance organisations brought a large continuous flow of money into the property development world.

CHAPTER 2

SPECULATIVE DEVELOPERS

- 2.1 Introduction
- 2.2 Speculative Developer's Role
- 2.3 Types of Speculative Developers
- 2.4 Trader—Developer
- 2.5 Builder—Developer
- 2.6 Developer—Investor
- 2.7 Investor—Developer
- 2.8 Architect—Developer
- 2.9 Government Funded Developers
- 2.10 Conclusion

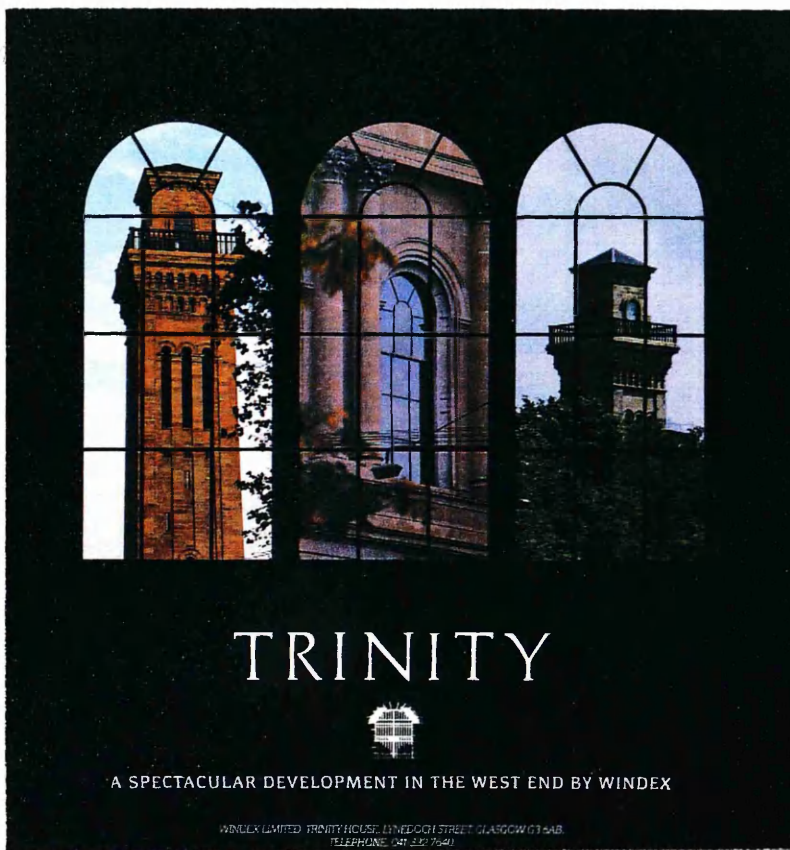


Fig. 1. Trinity Church Glasgow.

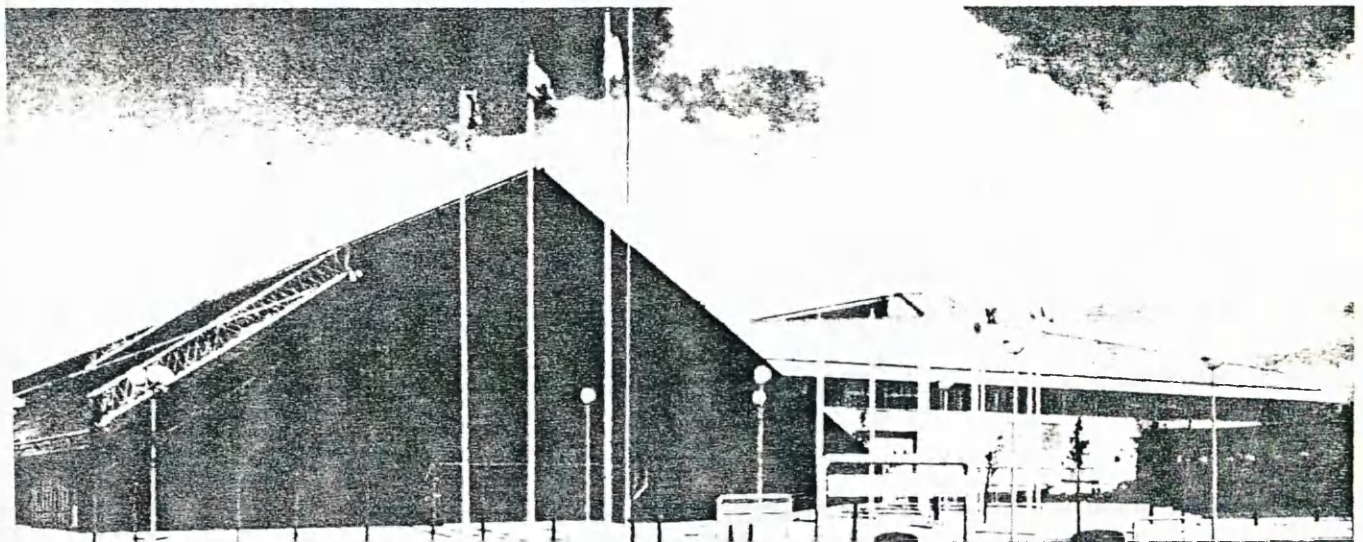


Fig. 2. Scottish Exhibition and Conference Centre.

2.1 INTRODUCTION

This section will deal with the role of the developer, in the speculative development process and his relationship with the other professional groups involved in the development world. It will also introduce various types of developers the study uncovered outlining their particular in-house skills; areas of favoured activity; their motivation to build and attitudes to Quality Design. Finally with the aid of diagrams show the different professional expertise they commission during the complete life span of a speculative project.

The term enabler or developer covers an omniferous group who in general prefer to operate outside the public gaze. Although, in recent years there has been some notable exceptions to this trend, such as, Stuart Lipton of Speyhawk Development Limited, who not only engaged in public debate but also consented to a very public exhibition of his proposals for Paternoster Square, London. However, this behaviour must be seen as unusual.

2.2 SPECULATIVE DEVELOPER'S ROLE

Their role in the speculative development process is twofold.

ENTREPRENEUR

COMMERCIALMANAGER

ENTREPRENEUR

Acting in his role as entrepreneur the developer must seek opportunities and ideas within the built environment to reharness existing resources, or discover that unique situation where change offers an occasion to create a new venture. A skill difficult to define but described by both Paul Gussack¹ and Jim Oliver² as a "Gut Feeling" about a particular situation. While Israel Kirzner defined it as:

"A shrewd and wise assessment of realities (both present and future) within the context of which the decision must be taken" ³

Windex Limited, who completed the first rehabilitation of redundant warehouses into housing in the Merchant City, Glasgow and the conversion of Trinity Church (Fig. 1) into a high quality

housing project, in an area dominated by offices, are both examples of a developer using his entrepreneurial skills to reharness existing resources. The building of the Scottish Exhibition and Conference Centre (Fig. 2) on reclaimed Clydeside Docks together with the many Developments undertaken in London's Docklands are examples of where change has occurred.

COMMERCIAL MANAGER

Having initiated a project the developer then slips into the latter role, that of commercial manager. Here his responsibilities are divided into two major areas.

Project Management

Marketing

Project Management

The important area of day to day project management involves the developer in four decision making areas.⁴

Cash flow

Direction

Programme

Public Relations

Cash Flow

The developer is responsible to ensure that the finance is available to supply sufficient cash flow to maintain the various stage payments required by contractors, and fees for his consultants, throughout the project, indeed he is the paymaster.

Direction

He is required to select and direct his development and design team and ensure that good understandable communications exist between all members of the project team. It is also important that he is aware of negative influences such as professional jealousy,

professional nepotism and possessive advice.

Programme

His third task is to maintain the general programme of the project which should not be confused with the construction programme. To this end realistic deadlines must be set for the individual elements of the project, communicated to those concerned and supervised to ensure successful continuity and maintenance of the programme.

Public Relations

Finally he must perform the controlling role in the field of Public Relations and Advertising seen today as necessary by the more successful companies. Mrs Patti Gibb Smith of D.C.I. Limited, Glasgow, believes that developers will gain more by ensuring that Public Relations take a high profile in the project and points out that as a company they have not paid for any advertising of their buildings but rely totally on public relations techniques to do the job.⁵

Marketing

The developers final role is to sell the building on to a long term owner. The market here is well defined and confined to large financial institutes, pension funds and insurance groups, who use buildings as an alternative form of investment. In a very real sense the developer in his commercial role is a minter trading and selling which he must mix successfully with an:

"entrepreneurial alertness and discovery for his continual survival." ⁶

2.3 TYPES OF SPECULATIVE DEVELOPERS

The range of speculative developers spans companies from the very small local "barrow boy" business, speculating on one off houses, to the highly sophisticated international investment organisations dealing in multi-million pounds projects. Such a wide variation presented the thesis with the task of grouping the developers into manageable and understandable groups paying particular attention to their motives and relationship to quality design.

Using a combination of Fothergill, Monk and Perry⁷ together with Darlows definitions four groups of developers, have been defined:

Trader - Developer

Builder - Developer

Developer - Investor

Investor - Developer

From the initial observations and interviews it was found necessary to add two further groups:

Architect - Developer

Government Funded Developers

The categories have been formed, based on the area of skill, each developer possesses. However these group titles offer no recognised vocabulary or set of clear definitions explaining the developers relationship with quality design or the various influences on him. The definitions have been expanded using a model constructed to show the various elements that all speculative developers must control or activate if any project is to be brought to life and be successfully completed. Diagram 1, demonstrates that there are seven basic elements, each capable of further subdivision, contained in the entire speculative development process. These elements are:

- a) Land
- b) Finance
- c) Design
- d) Construction
- e) Letting
- f) Client
- g) User

(A) LAND

Land has two major parts, Acquisition and Valuation, and the speculative developer must secure clear ownership of site at the right valuation if his project is to be successful. P.

Byrne and D. Cadman⁸ identified three areas in the process of Acquisition:

Physical Characteristics

Characteristics of Tenure

Planning Characteristics

Physical Characteristics

The physical characteristics together with the general condition of the site dictate the natural resistance of the site to development. When faced with a physically difficult site developers turn to a specialist adviser, such as civil engineers and those capable of analysing soil.⁹

Characteristics of Tenure

Characteristics of tenure including covenants and encumbrances placed on the title deeds are factors, that must, at this stage, be clear as the project may be seriously hindered or damaged should they be missed. Here developers would use their legal advisers to secure clear ownership.

Planning Characteristics

The planning characteristics shaped by the local planning authority are of the utmost importance as their view of land use and development potential may encourage or kill the project. Land use evokes many theories ranging from the spiritual as Holiday points out¹⁰

"The ultimate value (of land) is life in association with a wider unknown presence in space"

to a free market view of land as a commodity having a value, which is defined by Turner¹¹ as

"in capital value terms as the price of the land would fetch if put up for sale in the open market by a willing seller and purchased by a willing buyer, with all the mechanisms of the market having time to work themselves out."

Speculative developers favour the latter and have five methods of establishing the commercial value of their site.¹²

- a) The Comparative Method.
- b) The Cost Replace Method.
- c) The Profits Method.
- d) The Residual Method.
- e) The Investment Method.

The residual method was found by the study to be the one favoured by speculative development, ¹³ who will take advice from his valuation surveyor.

(B) FINANCE

The monies involved in the property development market at the end of 1980 was around £13,000 million.¹⁴ This figure although large represents only a small section of the country's financial sector. Nevertheless the property section does have the ability to offer a relatively stable environment for investors due to its ability to resist any

"short term fluctuation in interest rates and other more volatile movements in general investment market." ¹⁵

The methods of financing property development are numerous, however there are two main forms widely used.¹⁶

Corporate Finance

Direct Project Finance

Corporate Finance has adapted and modified many of the techniques and devices used by the rest of the financial sector, to create investment in property, as Darlow points out, property now uses a mixture of techniques such as shares, debentures, loan stock, revolving credit, secured and unsecured term loans and Eurocurrency, in its funding methods.

Direct Project Finance

Director Project Finance is orientated to individual projects where the project alone becomes the source of security.

The sources of investment are as wide and diverse as building development, with organisations such as, Crown Agencies, the omnipresent churches, petro-currency being some. However the British property market is dominated by the financial institutions and funds together with government and property development companies.

There are three main types of funding arrangements open to the speculative developers;¹⁷

Short Term

Mid Term

Long Term

Short Term

Short Term finance has a normal life span of two to three years and is obtained from clearing banks and their sister organisation Merchant Banks.

Mid Term

Mid Term loans have terms up to ten years and are procured from the same sources as short term.

Long Term

Long Term loans take several shapes and are usually acquired from financial institutions and pension funds.

(C) DESIGN

The speculative developer has the responsibility of organising the design of an appropriate building which not only satisfies the demands of planning and building control authorities but also to be of sufficient standard to attract the tenants. At the outset of the study this level of design was defined as the "standard building". To achieve a physical design the speculative developer must first select and direct a design team normally lead by an Architect supported by Structural Engineers, Quality Surveyors, and other building professionals.

(D) CONSTRUCTION

The developers role at the construction stage has been traditional limited to that of client, who acting on his consultants advice, accepts the favoured tender and produces the necessary funds to provide the stage payments required by the contract. However, developers like Speyhawk Limited and London Metropolitan have expanded into project management believing that the traditional Architectural practice is unable to cope with the additional burden of holding, a varied and complex commercial project together.¹⁸ The

smaller developer too, admitted that they took much more interest in the day to day running of their projects but still relied heavily on their design and construction consultants.¹⁹

(E) LETTING

Finding a suitable tenant is of particular importance to the speculative developer, as it is the normal demand of all prospective buyers of a project that it is fully let at acceptable rental levels and leasing arrangements. The Developer—Investor, and Investor—Developer are the exceptions here. To achieve a leasing the other developers seek the aid and advice of a surveyor, such as, Jones Lang and Wootton or Estate Agents who will assist them using their nationwide statistical information on rents and demand, to advertise and market the building.²⁰

(F) CLIENT

For our purpose the client has been defined as the eventual long term owner of the project who are usually drawn from the property investment world. Trader developers may actually be commissioned by this sector to build. The requirements of investors influence greatly the shape of the building in terms of scale, location and rental values. We should also note that speculative building may well be sold off to a particular retail or industrial client and indeed in the case of offices it may well be sold to a commercial interest. Mobil Exploration are an example here, as they bought the speculative building, which they inhabited in Central London.²¹

(G) USER

The user is defined as those who actually use the building as a place of work or a place where an economic or social activity occurs.

2.4 TRADER—DEVELOPER

Diagram 2 describes the trader—developer group. This group is simply concerned with the development of buildings and selling them on to a long term owner, leaving them with no lasting responsibility for the maintenance or continual care of the product. For them the building is a trading commodity to achieve direct cash profit. In the main, firms involved in this

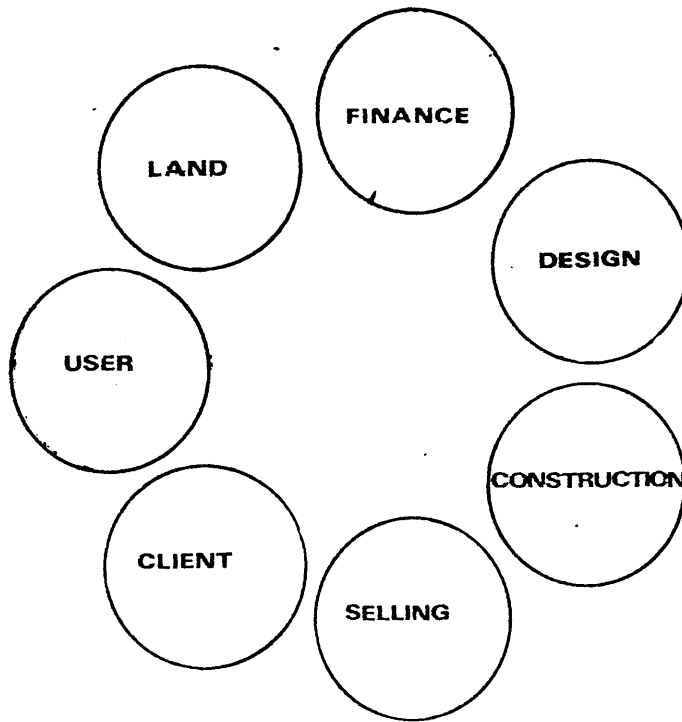


Diagram 1.

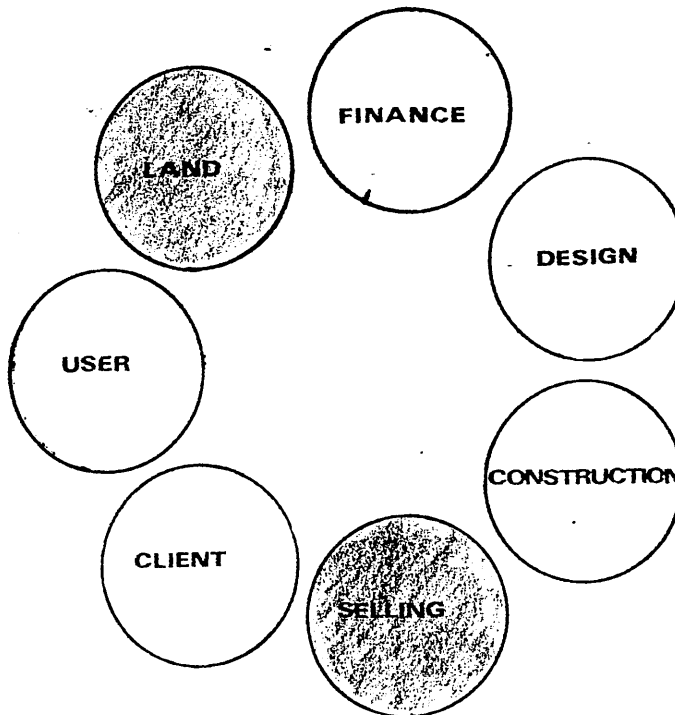


Diagram.2. Trader - Developer

area are small independent companies operating with a small nucleus core staff with little in-house skills, preferring to buy in expertise as they feel necessary. However, their ability to acquire land, value it and match it with both clients and function is the key to their success.

Windex Limited Glasgow is a good example of the trader—developer. The company, which was founded by Mr Jim Oliver some ten years ago, have been exploiting the speculative housing market in and around Glasgow, although they are at present attempting to ease themselves into a much wider market. Windex Limited has been very successful in designing financial packages using Government Aid and High Street Banks.²² Another Glasgow Developer D.C.I. Limited, is in this group. They are an older company who have gained a lot of experience developing Industrial buildings but have now successfully transferred to speculative office building. They prefer not to be involved with Government Financing believing that the necessary public accountability would restrict their actions.²³ Ravenstone Securities Limited is another in this group. A larger organisation than the previous with its funding based in the Stakis Organisation, Glasgow. Operating throughout Scotland they involve themselves in the whole spectrum of development projects.

This group constantly and almost exclusively operate in a completely speculative market, having no long term owner or tenant to inhabit the building. Their dominant motive is direct cash profit which governs their activities and decisions. Pressured by high interest rates, on loans from High Street and Merchant Bankers, these developers seek three methods to reduce overheads to ease the burden.

Fees

Payments

Quality

FEES

Windex Limited believe that many of the standard fees are too high, and employs his consultants only after an agreeable fee level has been reached, however they did recognise that a professional practice must make a profit or their service will deteriorate and perhaps sink.²⁴

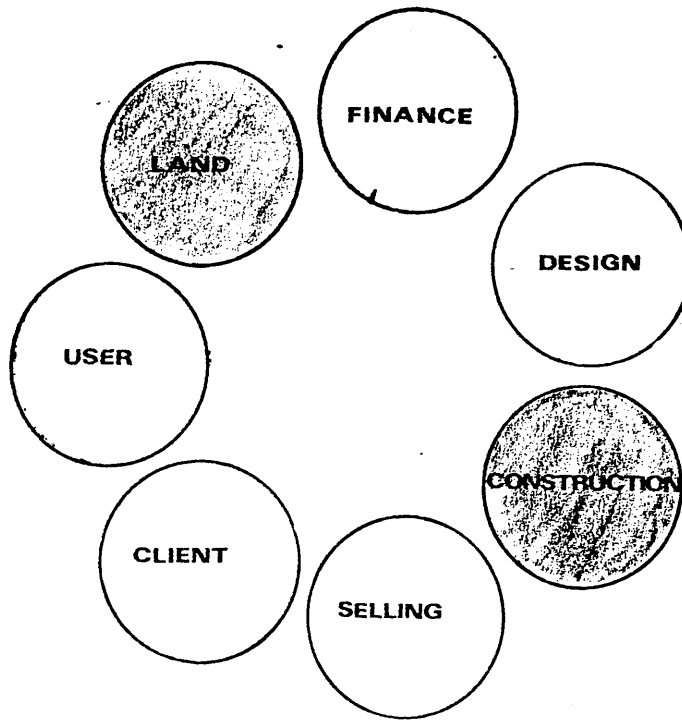


Diagram.3. Builder - Developer

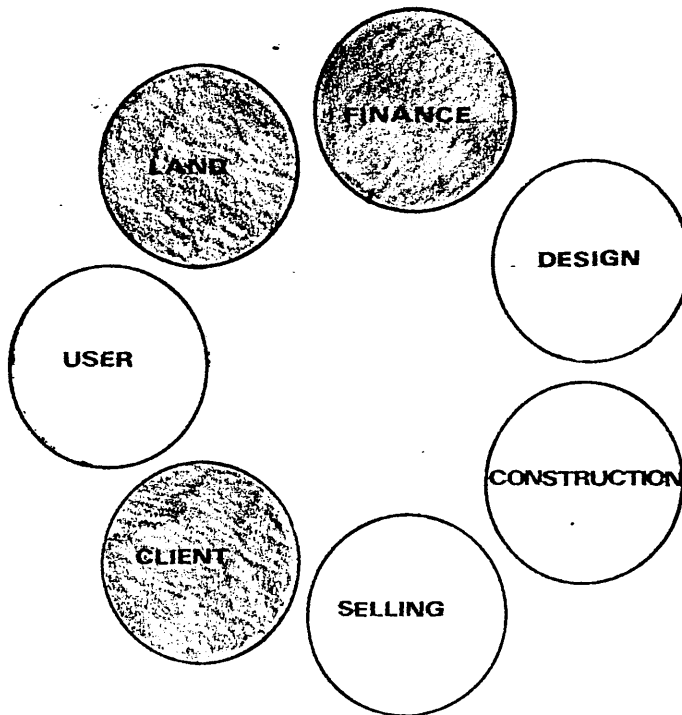
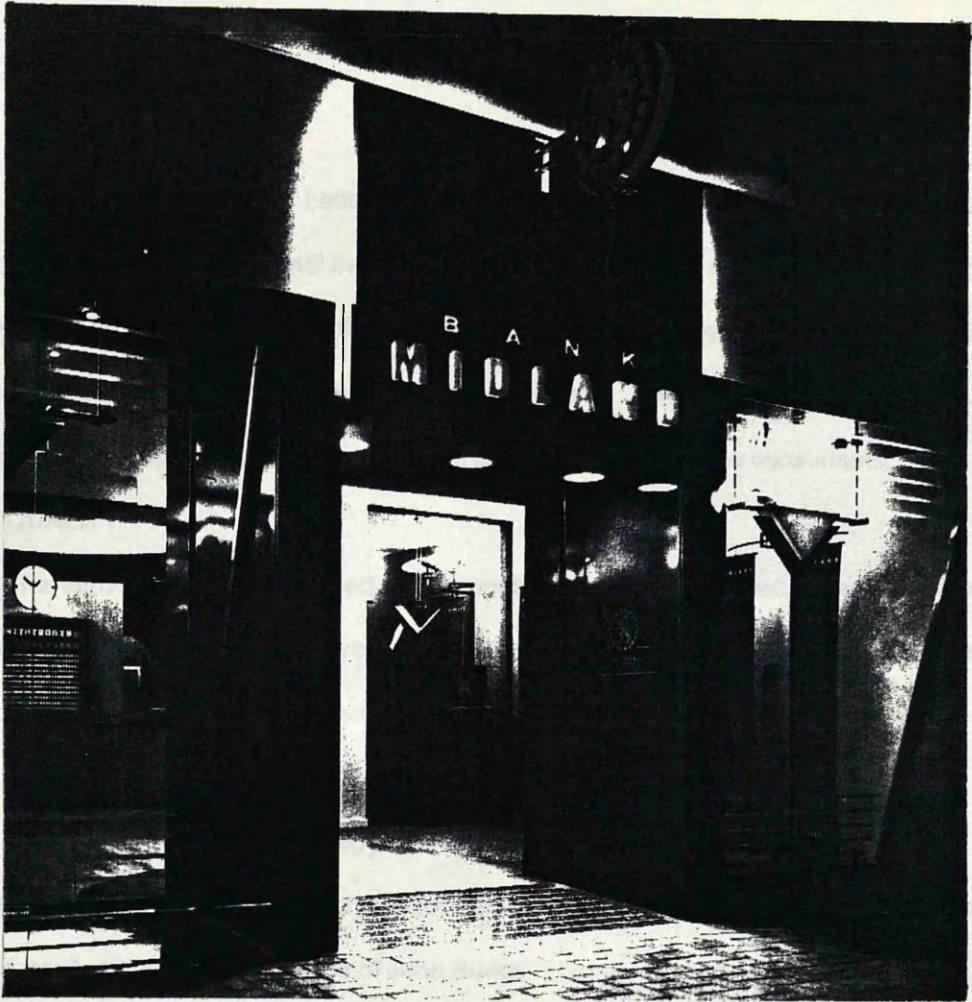


Diagram.4. Developer - Investor



AT FITCH, UNDERSTANDING OF
CONSUMER PREFERENCE IS A
UNIQUE RESOURCE.



Fig.3. Midland Bank Ltd: Fitch & Co.

PAYMENTS

D.C.I. Limited not only believe that fees were negotiable but he employed the practice of not paying any fees until the issues of the first Architect's Certificate and Valuation. This, they believe, had two effects; firstly it reduces the design time and brings the building onto site quicker and hopefully completed on target date. Secondly it delays payment of design costs for the developer.²⁵ Conversely it places a burden on the consultants.

QUALITY

The third avenue was exposed by Ravenstone Securities Limited, when discussing their venture at Greenock Water Front site. The original project design by a Glasgow Architect, had the image and imagination engendered by a river front site, or in the words of John Burke, of Ravenstone Limited²⁶

"full of flair and art, flag poles and stuff."

The final project submitted to tender has lost much of its flair and has been reduced to a standard retail unit, again in the words of John Burke,

"simply bog standard."

A very common occurrence which occurred as a result of the developer's view, of the projects ability to meet financial targets. The risk of failing to meet repayments dates must be managed closely or a substantial loss of the developers money will be incurred. Both Windex Limited and D.C.I. Limited would not accept the reduction in standards as necessary but they are specifically operating in a market (offices and housing in Glasgow) where there is an excess of poor quality and at the present a dearth of good quality, but were convinced that the financial package is the leading component of the project and that Quality Design has to be guided by the market and its activity.

Windex Limited and D.C.I. Limited rely heavily on entrepreneurial awareness and have been involved in high risk speculative projects, in the City of Glasgow, where they used Quality Design to attract the markets attention. In this situation Quality Design is viewed as a tool to increase their prime motive, profit. In the first project to convert a redundant



Fig.4. Westergait Glasgow: D.C.I. Ltd

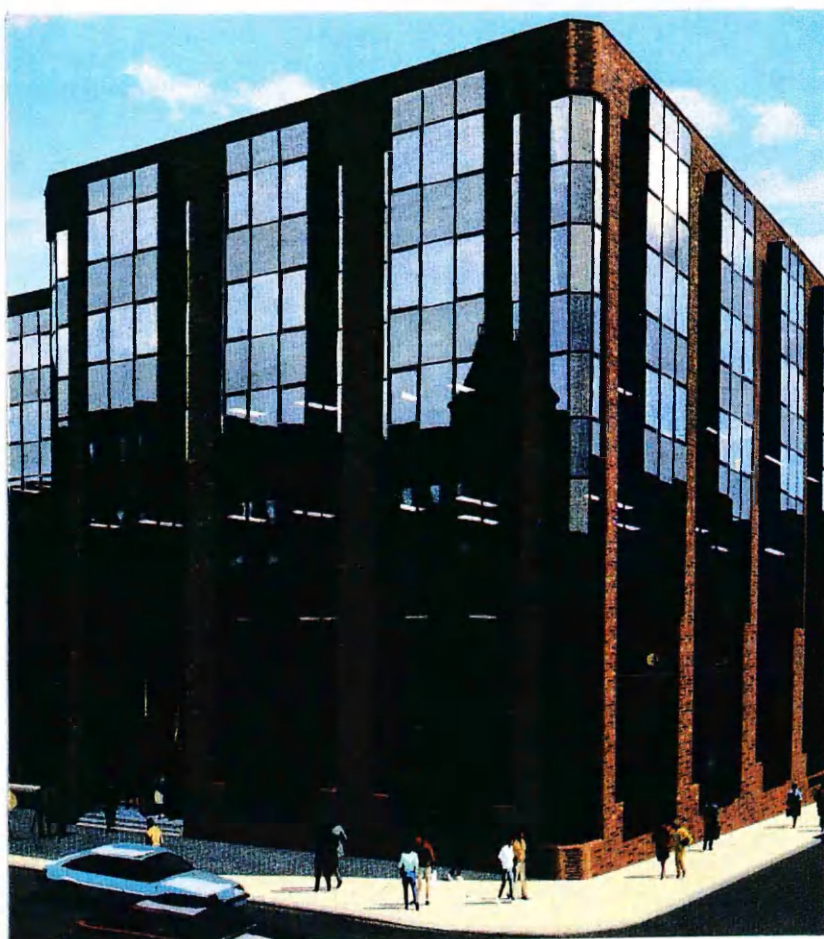


Fig.5.
Corunna House:
Town & City Ltd

warehouse in the Merchant City of Glasgow into housing, Windex Limited used a design team briefed and given time to produce a Quality Design that would entice and attract the market. While D.C.I. Limited embarked on a speculative office block in Glasgow Westergait, which broke all established rules pertaining to location and market area, used Quality Design, this time in terms of technology to attract the markets attention. The developers found themselves in the situation where Quality Design was the only tool to induce clients interest and thus lead to profit.

They are not alone in the view that Quality Design will attract the market. The retail industry take this view as indicated by McColl Design Limited²⁷ project at Debenhams Stores Limited. In this project McColl removed the core of the store creating a better circulation pattern for shoppers. This actually reduced the sales area, but the increased accessibility has encouraged more shoppers into the shop; raised its turnover and enhanced its profit.

Fitch & Company another retail specialist have embarked on a similar exercise with the Midland Bank Limited (Fig. 3) in an attempt to attract more customers into their branches. For all of these firms Quality Design is viewed as a profit making tool, to overcome market difficulties. One can conclude by observing that where a developer realises that he has a problem, e.g. the site location is not usual, the market is reaching saturation point, then he commonly turns to quality design "to make the difference"²⁸ and make a new niche in the market.

2.5 BUILDER—DEVELOPERS

Diagram 3 depicts, Builder—Developers which is a group consisting of construction companies both large and small, Local National and International. Their motives can be seen in two parts

CONTINUITY

OPPORTUNITY

Continuity

The desire for continuity of work which will encourage the maintenance of core staff is displayed by both large and small construction companies. Springhill Builders Limited is an

example of a small company drawn by this motive into development. They have provided the development funds for a housing development at Barrhead, to ensure continuity of work and maintenance of core staff.²⁹ McAlpine Construction Limited, is an example of a very large concern involved in development, the study found that this company were heavily involved with Conran Roche in their project at Butlers Wharf, London.³⁰ Their interest as Bob Pell pointed out was "construction" but this also allowed them to achieve a certainty about continuity of contracts.

Opportunity

Opportunity, particularly in the area of publicity, was illustrated by national housebuilders Wimpey Limited, who won a development competition sponsored by Thamesmead Town Limited.³¹ After reservations Wimpey accepted that they must work with one of the selected Architects from Thamesmead's list and produce a quality designed product, which meant as far as Wimpey were concerned a non-standard house. In doing so they extended their skills and public image.

Barratt Limited in a similar exercise has created a separate organisation to look for new opportunities to build, moving away from their standard product. The final example of this is the partnership between Lilley Development Limited, a subsidiary to Lilley Construction Limited, with D.C.I. Limited to develop Westergait, Glasgow.³² (Fig. 4). Both companies believed that they were breaking new ground in terms of technology which not only expanded their abilities but also attracted much publicity for them.

The in-house skills of these companies varies greatly with scale but can be extensive. The larger companies have in-house expertise which will be able to deal with both the Acquisition and Valuation of Land, and they often do so. Given the size of many of these firms it must surely be no surprise to find that they have sufficient resources to partly finance many of their projects.

6.
Drumchapel Centre
Glasgow



Fig.7.
East Kilbride Shopping:
Land Securities Ltd

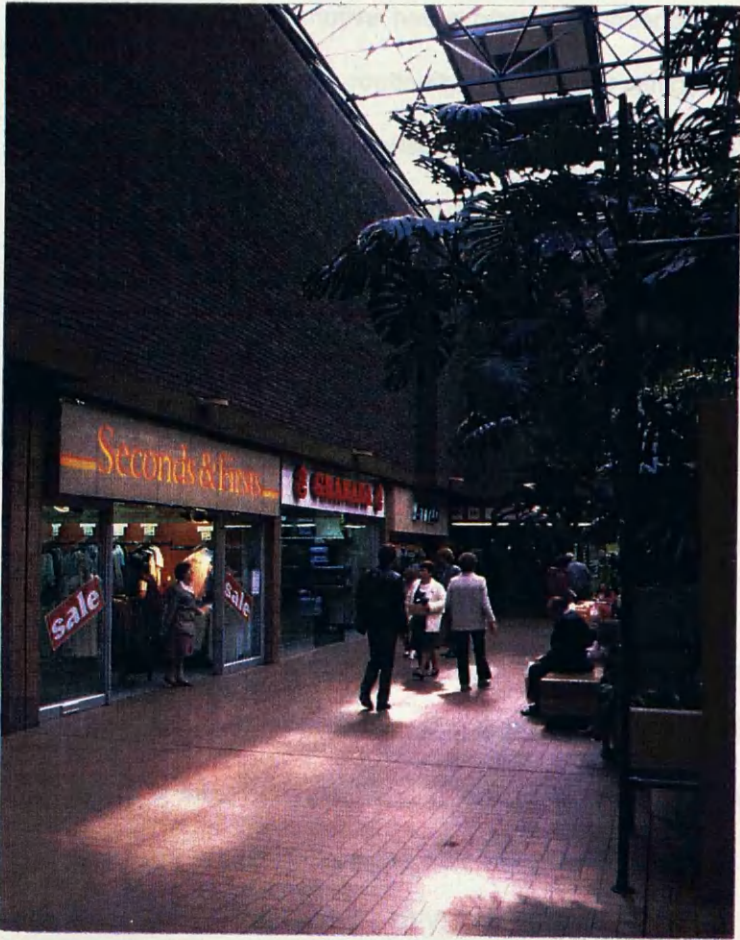


Fig.8. Livingstone New Town: Land Securities Ltd

PORTFOLIO

Project Development

Developing projects and selling as the owner is the result of the desire to use the long term income of buildings as the major source of profitable revenue and has become the prime activity for these companies. Town and City Limited, Glasgow,²⁴ are a good example of this. They have developed several projects throughout the city ranging from speculative office buildings, the latest being Corinna House, (Fig. 5) to shopping complexes, like Drumchapel Centre, Glasgow, (Fig. 6) which is presently being renovated in preparation for rent review procedures.

The profit motive has a powerful influence on these companies, but where their secondary aspirations, continuity and publicity can be satisfied, they will accept the challenge. Roger Malcolm Homes Limited entries into Thamesmead's competitions is an example of this, and where competition offered an opportunity to create interest and diversity, always with profit, from the standard greenfield house building.³³ Quality Design for this group is viewed in construction terms. The buildability of the building will dictate the ease of construction assuring the contractor of profit however, they too will not ignore the need to satisfy and attract the market, but unlike the previous group they will shun high risk areas.

2.6 DEVELOPER—INVESTOR

Diagram 4, illustrates the traditional development companies, better known as property companies. Again profit is the motivating force but on this occasion muted by the luxury of internal funding and time. The whole spectrum of speculative buildings offers this group opportunity to exercise their three prime objectives in the quest for financial gain;

PROJECT DEVELOPMENT

RENTS

PORTFOLIO

Project Development

Developing projects and acting as the client is the result of the desire to use the long term income of buildings as the major source of profitable revenue and has become the prime activity for these companies. Town and City Limited, Glasgow,³⁴ are a good example of this; they have developed several projects throughout the city ranging from speculative office buildings, the latest being Corunna House, (Fig. 5) to shopping complexes, like Drumchapel Centre, Glasgow, (Fig. 6) which is presently being renovated in preparation for rent review procedures.



Fig.9.

Trustee Bank Edinburgh



L&M
London &
Metropolitan
PLC

Directors

N C Ireland* CA, FCMA (Chairman)
D Lewis MCIOB, ARICS (Chief Executive)
C I K Harris (Deputy Chief Executive)
P H Gibbon
J A Theophilus FCA, FCT
R G G Walton BSc (C. Eng.), MICE
J Aiton* CA
N J P Sheehan* FRICS
* Non Executive

Group Administration

Land Securities (Management) Limited

Directors

P. J. Hunt, BSc (Est. Man.), FRICS (Chairman and Managing Director)
J. M. Moar, FRICS (Deputy Chairman and Deputy Managing Director)
C. H. Behrens
D. H. MacKeith, CA
W. Mathieson, FRICS
R. C. Pavitt
I. J. Henderson, BSc (Est. Man.), FRICS
M. R. Griffiths, FRICS
D. F. Hubbard, FRICS
J. Maynard
J. I. K. Murray, MA, FCA
K. Redshaw, BSc (Est. Man.), FRICS
D. I. Treagus, FRICS

Assistant Directors

C. R. F. Gillespie, CA
R. H. DeBarr, FRICS
N. W. Johnson, FRICS
N. A. C. Moore, FCA
A. R. Strange, FRICS

Secretary

L. A. Jones, FCIS

Fig.10.

Land Securities, London & Metropolitan

Land Securities Limited is another of this group who have developed projects in Scotland to generate revenue. Shopping Centres at East Kilbride (Fig. 97 and Livingston New Town (Fig. 8)³⁵ are examples of their work and both have gone through a period of renovation, again with an eye to raising rents.

The final example of this group is London Metropolitan Estates. They are an interesting group as not only have they developed speculative projects for themselves, such as a Shopping Centre at Ayr, but also, they have completed a development for the Trustee Bank in Edinburgh³⁶ (Fig. 9) acting on this occasion as a trader—developer.

Rents

Their second task, the organisation and the collection of rents takes these companies in the realm of property management and indeed each of these companies boasts of the possession of such a department in their organisation. This does give a powerful insight into the users requirements of the building who they meet and try to respond to. Town and City have recently embarked for the first time on a public relations and promotion campaign in their shopping centres and have opened a new section in their Glasgow office to research and expand this activity.³⁷

Portfolio

The final task, seeking further investment from the Stock Market, relies on the provision of a sound stable portfolio showing a continual and profitable rental growth, leading to reasonable returns on share capital invested in the company. This form of investment is vital to these companies, as it is from the Stock Market, using corporate finance techniques, they derive the necessary funding to expand operations and initiate new projects. Town and City Limited are an exception here, they are funded totally by their parent group P & O.³⁸ Both Land Securities and London Metropolitan place particular emphasis on this aspect and have recently begun to publicly publish their annual companies reports in an attempt to better inform investors and the investment market.

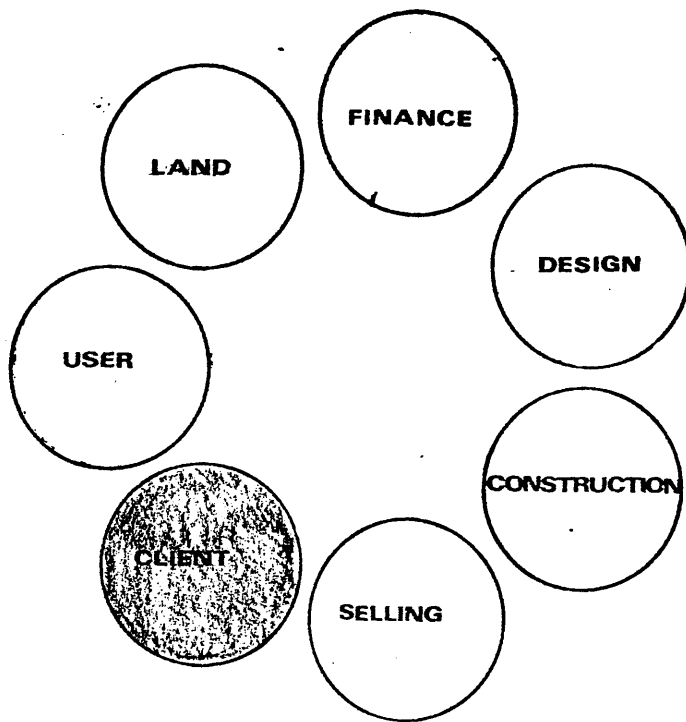


Diagram.5. Investor - Developer

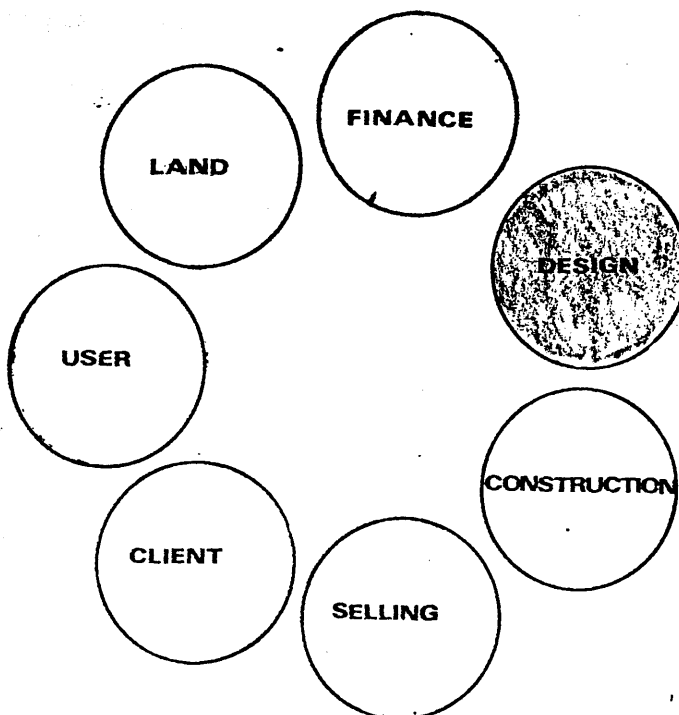


Diagram.6. Architect - Developer

The in-house skills of property companies are extensive but heavily weighted on the Land and Financial elements of the development process. A look at the list of directors of both London Metropolitan; and Land Securities (Fig. 10) show that the majority of their top management team has been drawn from the many branches of the surveying or accounting professions, leaving a void, I suggest, which should be occupied by someone from the design disciplines. These companies employ all other necessary consultants to develop and complete their projects, placing their willingness to subdue personal and professional aspirations as a major prerequisite to becoming;

"part of the team". 39

The negotiation of fees, methods and timing of payments were considered as an unnecessary exercise by this group. They also believe the standard fee structure was satisfactory, and in any case represented only a small portion of the total cost of any project.

All these companies are motivated to build by the desire to generate profit which was delightfully outlined by Jones Lang & Wootton,⁴⁰

"the reason to invest in building is to achieve a rate of return better or equal to investing in Gilts."

This motive also shapes their view of Quality Design which is to achieve the maximum amount of lettable space at the lowest possible capital outlay, located on a site offering no risk. This was outlined by Town and City Limited who described Quality Design as,⁴¹

"the best possible use of the site in terms of usable space."

2.7 INVESTOR—DEVELOPER

Diagram 5 depicts the Investor—Developer group, which is comprised of financial institutions together with insurance and pension funds. This group is similar to the previous grouping as both set out to use buildings for long term investment. However, the major difference between them lies in the fact that this group has the guardianship of their clients' money which they invest, a proportion of, into buildings using the long term benefits of rent and rental growth to provide income for their clients. Their in-house skills are concentrated in

the financial field which naturally dovetails into their role as client and employer of the other developers. However, recently there has been some trace of this section taking a more active role in developing projects.

Quality Design is viewed by this group as buildings that maintain a steady rental growth pattern with little need for capital investment.

2.8 ARCHITECT—DEVELOPER

Diagram 6, Architect—Developer is as the title suggests, formed by Architectural companies and practices both large and small, who give priority to the design function. The group is almost entirely composed of Architects—Developers although it is not completely exclusive to them. Nick Grove Raines, is an example of this type of developer. The firm is based in Edinburgh and originally functioned as an Architectural practice. The relaxation of the professional code for Architects allowed them to branch out into the development world. Their main interest to date, has been in the speculative housing market. At the time of interview they were in a development partnership with Windex Limited, on a speculative housing venture, Speirs Wharf, Glasgow, where they were also acting as Architects.⁴²

Conran Roche is another company who have followed a similar path but have grown much quicker, this company was formed by uniting the entrepreneurial skill of Terence Conran to the architectural ability of Roche. Their interests have developed into mixed use and urban design projects. The Burrell Company, although a development company, is also based in Edinburgh, grew out of a very successful Architect—Developer group called Kantel. They place a high value on design and maintain an interest in the speculative housing market particularly around Glasgow.

With the notable exception of Conran Roche whose in-house skills are extensive and will be discussed later, the in-house skills of this group is concentrated around their professional design training giving them all the necessary skills to cope with design as outlined in 2.3. However although their training does encourage them to deal with land and site selection, they have little knowledge of valuation.



Fig.11.
Clydebank Business Park;
Scottish Development Agency



Fig.12. Swansea Town Council



Fig.13. Thamesmead Ltd.

Their motives to develop can be seen to have three parts;

AESTHETIC

PROFITANDCONTINUITY

PRESTIGE

Aesthetic

The best example of this was given by Nick Groves, who in their interview stated,

"that we look at buildings and then find a use for them."

For them buildings both old and new are an integral part of the environment and should add to the general enjoyment of it by all. Their work has been mainly channelled into the re-use and enlightened conservation of existing buildings which they believe has permitted them to extend and practice their visual philosophy.

Conran Roche too have a distinct Aesthetic Philosophy which can be seen in their Butlers Wharf project. As the lead consultant in all their developments they have the luxury of controlling aesthetic judgements and direction.

Profit and Continuity

Profit motive and continuity of employment is a requirement that all successful companies achieve, and Architect—Developers are no different. However, the ability to circumvent the traditional problems of waiting for the right client, the one in tune with the designers, is seen by this group as the best way of providing not only continuity but also work of the right quality. The attitude to profit was not as commercial as most other groups. Nick Groves Raines said for him as long as a project did not make a loss that was alright. It was reported that Kantel stopped being an Architects office and divided into Kantel and Burrell developers because they could make more profit.

Prestige

Prestige with other professionals and to a wider public was an aim shared by all this group, which would both feed their egos and hopefully gain them more work. Bob Pell of Conran Roche summed this part of their motive neatly when he said,

"we want people to say that was Conran Roche." 43

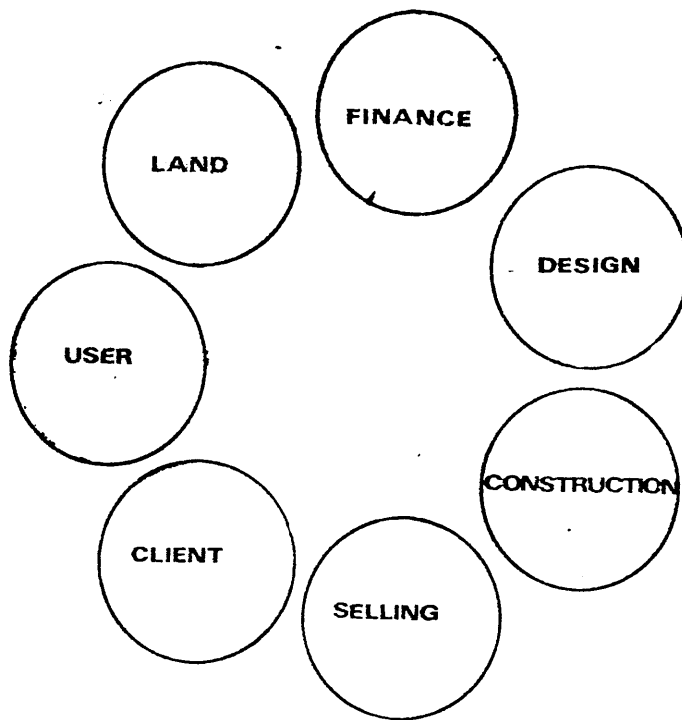


Diagram.7. Government Funded Developer

The desire to achieve these aims drives these companies forward, and their view of Quality Design is shaped by their design training and philosophy. Aesthetics, style, appropriate function are elements that this group perceive as being important, as commercial success. They believe that this is the only way to produce a well-rounded and fully functional building meeting all the necessary commercial criteria.

2.9 GOVERNMENT DEVELOPERS

The final group depicted in Diagram 7, are the Local and National Government funded, "speculative" development agencies, who are mainly found operating in the economically depressed areas of the country. Their task is closely linked with the economic targets set by both Central Government and the Local Authorities.

Three examples of this type of developer were looked at. The Scottish Development Agency, the sponsor, who operate in the Scottish Market and have been among other things concerned with the provision of industrial buildings, Clydebank Business Park is only one of the many industrial projects they have undertaken. (Fig. 11). However, where they believe the situation has been advantageous to their brief to attract inward investment, they have become involved with a wide variety of projects.

Swansea Town Council, is a Local Authority that falls into this group. They embarked on a programme of both Industrial and residential development with the aim of a total regeneration of their economic base, (Fig. 12). They believe that their objective will be best served by improving the quality of the environment. Thamesmead is now a private company but was formerly part of the Greater London Council, which has maintained some of the attitudes of the Council together with many of the personnel. Their area of operation is the lands of Woolwich Arsenal and Erith Marshes south of the River Thames, where their major activity to date has been in providing residential accommodation to compliment Thamesmead New Town, but they are now turning to industrial building (Fig. 13).

As developers, their skills are extensive and spread over the whole range of the professionals involved in the development process. However, they do frequently employ

external consultants on the projects they sponsor, indeed both Thamesmead Town, and the Scottish Development Agency initiate competitions to select their consultants. Motive for this group is inward investment, to their area, together with monetary gain. However the latter is greatly modified by their perceived social responsibilities, and the ability to apply the benefit of time to many of their projects. These factors allow this group to consider borderline projects.

Quality Design is important for this group as they are usually dealing in large areas of land, with or without buildings that are in economic decline or have reached dereliction. These Agencies aim to reverse this trend. This means that they are usually responsible for assessing the areas potential, and then providing the infrastructure to attract private capital in the form of development projects. The most difficult decision taken is how far up the market can the area be pushed. The success of this process is commonly difficult to measure as the "value" of infrastructure is notoriously difficult to assess. Thamesmead have kept accurate records as to how their policies of controlling design quality has raised the value of their main asset, the land bank. The increase in value slow to start is now impressive.

We should note that these agencies will sometimes attempt to develop the "impossible". In this situation the prospect of not developing is too awful for the country and politicians to contemplate. Liverpool Docks and Clydebank are examples of this.

2.10 CONCLUSION

Let there be no false illusions about it, all those involved in speculative development, must develop against their financial background. The trader—developer must borrow his capital while at the opposite end of the range, agencies have the luxury of Government funding. Long Term profits are sought by investors while immediate profit is required by the minter. Their core staff form a similar pattern reflecting the companies aim and speciality. Thus property companies are staffed with those trained to manage buildings and funds, while speculative developers are those with an ability to sell.

Their view of Quality Design is determined by who they sell to. Developer—Investor's

are conscious of clients and building users and will judge design by does it help them increase the selling price, the rent or the speed at which the building will let or will sell.

Investor—Developers judge design on its ability to produce a continual flow of rent at a steady growth rate during the buildings life. The other developer groups, are fundamentally dependant on both Investor—Developers and Developer investors, as clients. Investor—developers require buildings of long life free of technical and cost-in-use problems constantly appreciating in value. Developer-investors because of the close relationship to the building users respond to the general upgrading of the environment. Similarly Government funded development responds to the user and aims to upgrade and enhance the environment.

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CHAPTER 3

RISK

3. Risk

3.1 Introduction

3.2 Components of Risk

Uncertainty

Measurements of Loss

3.3 Reactions to Risk

3. RISK

3.1 INTRODUCTION

All speculative development contains some form of risk, which may range from industrial action; miscalculation of the market to general economic collapse determined by political change. The attitudes to risk, taken by developers and their advisors together with the various markets and financial bodies, influence Quality Design profoundly. This section will first analyse the components of risk and secondly look at the different reactions displayed by those practitioners in the field of development.

3.2 COMPONENTS OF RISK

In their book Peter Byrne and David Cadman¹ broke risk down into two major components; Uncertainty and the measurements of loss. They defined uncertainty as, anything not known about the outcome of the venture at the time when the decision is made, while the measurement of loss was seen as the possible monetary loss of any decision taken on the project. Using this excellent definition as a base, this work has tried to push the definitions a little further by looking at the constituent parts of uncertainty and the measurement of loss.

3.2.1 UNCERTAINTY

Uncertainty has been broken down into two areas;

External Influences

Speculative Assumptions

External Influences

The many external influences out with the developers control may be collated together to form three groups;

Political Philosophy

Planning Direction

General Economy

Political Philosophy

Various Governments have shown different approaches to the land question which has been greatly tempered by their Political Philosophy, resulting in two basic aims.

CONSERVATION

MERCANTILE

Conservation

Conservationists, see land forming part of a greater system, tending to focus on the spiritual and ecological aspects. For them value spans cultural and scientific needs, spiritual and technological demands and in keeping with both ancient and modern concepts of ecological beliefs, believe that,

"the ultimate value (of land) is life in association with a wider unknown presence in space." 2

This leads to Government encouraging the reuse of existing buildings and structures, while new build projects, are executed only with great controls. The philosophy can be seen as the generating factor behind the creation of Green Belts; National Parks and areas of scientific interest. While in the urban form conserved areas, listed buildings and traffic management.

These policies reduce the opportunities, to the developer, to build new and free, and force him to build and design in context together with the need to be innovative in the re-use of existing stock. These decisions create problems for the developer and one way around them is the use of Quality Design.

MERCANTILE

Mercantile Philosophers see land as a commodity to be traded and exploited as required for profit, this philosophy has produced two responses to land;

Free Market

Profit Source

Free Market

The rejection of restriction and preventive legislation, preferred by the Mercantile Philosophy generate the conditions under which the Free Market will flourish. The Free

Market encourages competitions between the various participators and creates the situation where land is used and re-used as the market demands, and its value is closely related to its function. Hong Kong can be seen as an example of Free Market policy where the value of land outstrips the cost of demolition and rebuilding of relative young buildings.

Profit Source

Governments following the mercantile view of land use it as a source of income. This is clearly demonstrated by the Tax either aimed directly at land or development on it. Three examples here;³

Development Gain Tax 1973

Capital Transfer Tax 1975

Development Tax 1976

Development Gain Tax 1973

This tax was aimed directly to the capital gain arising from the disposal or the letting of a building, and included the first lettings on all new buildings. A tax aimed direct at profit. This tax was amended in 1974 to prevent the sale of shares in a property company or land interest as a method of avoiding the tax.

Capital Transfer Tax 1975

This tax applied to the transfer of wealth, for the development world it meant that a sale of land or indeed a building at below market value would be considered to have had an element of gift in the sale; thus subject to tax, similarly with an over valued sale. However the act had safeguards for poor negotiations. The intention of the legislator was to use land, as a source of income.

Development Tax 1976

This tax was aimed to attack

"all realisations of development value." ⁴

It was drafted to ensure that both the disposal of land for development and the actual physical development were subject to taxation.

Developers are no strangers to the various forms of taxation or Government Philosophies. The risk involved, is that a judgement on what philosophy will be dominant and

what tax will be likely must be made and activities planned accordingly. Quality Design is affected profoundly by the confidence of the developer in his view of the future state of the market, and the direction it will follow. Jones Lang & Wootton believed that today many developers, particularly in London, were taking an extremely "bullish" view, on the future of the influences on the industry and on its future behaviour.

PLANNING DIRECTION

Planning Direction

Government Direction on Physical Planning is another area affecting developers. At the upper level Government policy of regenerating the inner city has created an exciting market. Docklands, London, is a good example of this, created by the Secretary of State for the Environment, Michael Hesletine, who said,

"that the New Town policy has become too successful so I simply reserved the procedure." 5

Cardiff Bay and Swansea are similar examples of this reversal policy. At a lower level Government directives to Planning Authorities on procedural matters influence developers actions. Procedural matters often determine the time that may be spent on planning applications and the right of appeal which may actually turn developers away. No planning sanctions were applied to Docklands or the industrial zones created by Central Government which are now known as enterprise zones.

Planning Authorities were created and given their power by Central Government in the 1947 Town Planning Act which today still remains reasonably intact. As the enterprise zones and inner city renewal indicates it requires Central Government to alter or remove them, thus releasing or restricting development.

General Economy

As a trading nation the general economic and growth pattern is set by Central Government in reaction to the international economic situations resulting in policies that create or subdue demand for building development. Again an area where the developer has no control, but two factors emerge here that profoundly effect him.

EXPANDING ECONOMY

POLITICAL DIRECTION

Expanding Economy

An expanding economy encourages growth at every level of the economic spectrum leading to an increase in demand for space from the commercial, industrial, retail and domestic market. A growing market creates a building boom, demanding new floor space almost instantly, as Jones Lang & Wootton pointed out

"no-one has the luxury of time" ⁶

The pressure to satisfy the demand within the time constraints has encouraged developers to seek fast track methods of construction.

Political Direction

The direction offered by the political parties when in power sets the tone to where the development bulge will occur. Those Governments tending to the right of the political divide tend to encourage commercial growth leading to office, industrial and retail development, while those on the left see social development as important leading to schools and local authority projects and housing.

3.2.2 SPECULATIVE ASSUMPTION

Speculative Assumption

It was observed by the study that at the outset of any project the speculative developer must, based on his experience, make assumptions on factors outwith his control. These have been collated into three areas

PRE-BUILDING

BUILDING

AFTER BUILDING

Pre-Building

Speculative developers at this stage are concerned mainly with financial matters looking at interest rates on borrowed capital, investment returns and rental patterns. Interest rates on borrowed capital is of profound importance,

"the effective price for a building is not generally its capital cost but the cost of servicing the loan for its purchase." ⁷

The assumption the developer must make is on the stability of these rates as change, particularly an increase, will adversely affect his costings. The speculative developer must take a view on the likely behaviour of property investment market against other forms of investment. Rental patterns, and levels, are where profit is generated by the building, and an assumption must be taken on them to complete the appraisal process, for both the capital valuation and investment potential, of the building. The investment potential is of particular interest to long term owners who as Jones Lang & Wootton points out invest

"to achieve a rate of return better than Gilts." ⁸

Building

The building stage presents the developer with two sets of factors that he must make assumptions on.

DELAYS

COSTS

Delays

Delays cause by climate and industrial relations are beyond the speculative developers control, yet he is forced in his calculations to consider. Much research and innovation has gone into reducing the former while the latter industrial disputes primarily wage claims are in the realm of politicians and trade unionists.

Costs

The area of costs is a continuing concern to the developer. At this stage he must try and forecast the national contractual market and its effects locally. Are tender returns on the increase or decline? Town & City Limited at this stage with Corunna House Phase II took the view that tender returns were on the decline and opted to negotiate with their Phase I contractor for a cost on Phase II based on the original Phase I Bill of Quantities. They believed that this method, at that time, secured a cheaper capital cost building.

After Building

This area of the speculative developers activities requires assumptions to be made on the twin markets he must attack.

TENANTS

OWNERS

Tenants

The rate of take up of tenants is important to the developer. The longer the building remains empty, the greater his costs are and the greater the problem of obtaining a buyer for the building. He must make an assumption on this area which will affect his costs. Town & City Limited were surprised by the rate of take up on both Phases of Corunna House which for them lead to greater profit.

Owner

The attraction of a long term owner is of vital importance to the speculative developer. In office buildings this usually requires a completely tenanted building. D.C.I. Limited, Glasgow, has made the assumption that by providing a well tenanted building, drawing the highest rents in Glasgow, a long term owner would arrive. For them, this has not been the case and they have been left to pay the cost of a wrong assumption. A building they must manage and maintain while paying high interest rates on the borrowed capital.

Mr G Mackerrica of Doig & Smith, Quantity Surveyors

"did not think they were loosing on this, as the rent rises have been good. D.C.I. have been forced into operating a portfolio and are probably borrowing on it as a good investment; instead of having the capital themselves for eventual use." 9

Speculative developers are forced to make many decision and assumptions based on uncertainties which will affect the profitability of their projects and indeed their survival. The experience of D.C.I. Limited with Westergait is an example of where an assumption has gone wrong.

3.2.2 MEASUREMENT OF LOSS

The measurement of loss is an exercise that every speculative developer must undertake where the profit or loss, on the continuity of decisions taken throughout the projects life, is converted into money. This part of risk was summed up by Bob Pell who said

"What it boils down to is: is this project going to be rescuable at some stage." 10

3.3 REACTION TO RISK

Reaction to risk was found to be dictated by the speculative developers interpretation of how great the risk is to his aims and long term aspirations. Profit in its various forms is the driving force of all developers and the study analysed the reaction and attitudes of speculative developers against the need for profit. Two clear reactive processes existed.

PROFIT ASSURANCE

RISK MANAGEMENT

Profit Assurance

Profit assurance occurs when the developer believes that the risk is so low, profit is bound to occur almost regardless to what is built. John Burke outlined this situation when describing an inner city site that he had been collecting and negotiating ownership for the last ten years. He believes that the building will be very special as its location was right, and it was

"bound to make a profit" 11

Allowing him to increase the risk. This he was considering doing at the design level where he hoped Quality Design would give him the opportunity to gain even higher profits. Thamesmead Town Limited also recognised this fact and have embarked on a policy of intervention where they provided finance to ease the developers risk in return for Quality Design.

* Risk Management

Where risk is thought to be high by speculative developers, and no intervention mechanism exists the study noted two distinct avenues of reaction.

AGGRESSIVE MANAGEMENT

PROTECTIVE MANAGEMENT

Aggressive Management

Aggressive management was the reply given to risk by speculative developers who accepted that risk, if exploited successfully would generate great profit. Risk was attacked on three fronts;

TARGET DESIGN

CREATING CHANGE

TOTAL MANAGEMENT

Target Design

Targeting design to a particular market was a tool used by Windex Limited in their Trinity Church conversion. In this project they aimed at the top range of the speculative housing market from the outset. Using Quality Design to provide houses of the highest quality, they successfully attracted the market. However in their project at Georges Cross, Glasgow, again a speculative housing project, they targeted a lower level, here again used Quality Design to ensure the appropriate market was attracted.

Jim Oliver said,

"Quality Design is important but it was only of value when it was aimed at the correct market level." 12

Creating Change

Creating a change from the normal was attempted by D.C.I. Limited who in their office projects, Northgait and Westergait, where change to the normal concepts of office life has attracted tenants. With great success the Scottish Development Agency at Clydebank has changed, with the use of Quality Design, the markets view of small factory units in this location, the change provided the developers, an opportunity to market their product aggressively using the "new image" as the major selling point. It also allowed the developers to seek new and wider market areas. In the case of D.C.I. Limited European Corporation while the S.D.A. were able to mix new professional practices together with service industries.

Total Management

The concept of total management is that regardless of the developers aim, risk can be managed and in some cases be used to advantage. This was achieved by creating various forms of multi-discipline professional formations to control the project from raising the finance to marketing the product.

Three grouping formations were found,

DESIGN AND DEVELOPMENT

DESIGN GROUP

MASTER PLANNER

Conran Roche is an example of a design and development group. This company's interests range from being part of the client body to "collecting the rents" of the projects they initiate and build. They believe it is the only avenue open to them to create and maintain the projects and standards they desire, and a better method of securing profit. Design Groups are also large organisations who employ many professionals. Fitch & Company; Stewart McColl Design are two examples. These companies are mainly involved with retail market but trade their skills to any company who wishes to buy design or development strategy. Unlike the former group, they never become part of the client body believing if clients are prepared to pay for advice they will listen.

Bruce Gilbreth, is an example of a master planner. He has been retained by a large property development and management group who use him at the outset of projects to give direction to early ideas. He also is required to advise on the selection of Architects and aesthetic values of projects while acting as a co-ordinator to development teams through their projects life. This, the company believes, gives continuity throughout all their speculative ventures, on matters of quality.

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4. IMPEDIMENTS AND ENCOURAGEMENTS TO QUALITY DESIGN

4.1 INTRODUCTION

From the outset the study has accepted that the process of development follows the general path of inception, construction and selling. This section attempts to use the experience of good developers to highlight the areas in the general process where Quality Design is deterred or encouraged. From the observations made, five areas were noted as obstacles while only three areas were found to encourage Quality Design.

4.2 OBSTACLES TO QUALITY DESIGN

The detrimental areas were summarised as;

BRIEFING

FUNDING

TENANT EXPECTATION

MARKETING RESEARCH

PROGRAMMING

BRIEFING

Il-considered or misguided development briefs, thought by some subjects interviewed¹ to be commonplace, create obstacles to Quality Design from the outset of the project, in two ways;

MISDIRECTION

OVER-DIRECTION

Misdirection

Misdirection was an area that Mr Anders of Fitch & Co² brought our attention. Fitch & Co have had many developers who simply brief them to produce a Shopping Centre of a "given amount of square feet" and then ask "what is it going to look like?" They find that briefs formulated in this manner give no real thought to the site or the market area that should be targeted. The designer is left wondering who and what type of user they should be considering. Mr Anders outlined their response to briefs of this nature. They relate the developer to the retail experience, the developer is asked first to consider the period before

the experience, then the experience itself, and then what happens after the experience. Fitch & Co have found by using these parameters, misdirected briefs become clearly directed allowing Quality Design to flourish. Misdirection leads also to a continuous budget reduction stemming from a lack of foresight in the brief. Mr Harrison of Fitch & Co saw this as a major flaw on the developers part, who had an idea of how much floor space they required but little clear idea of what other factors would be involved. Again he felt that little time was given to thinking about the idea by either developer or design team. Down the line cuts not only reduce the standard of the building but moves projects, full of aspirations, into dilemma and hesitation, and eats up time when it is most valuable. An example of this problem is the new Shopping Centre at St Enoch, Glasgow, where on a visit to the site the writer was told that the Architects were now faced with a proposed cut and removal from the design of the Ice Rink. Not only were they saddened by the threat but clearly in a dilemma of what could take its place, and concerned about the delay it would cause on a project already late in opening.

Over-Direction

Two examples of over-direction were given to the study and both noted it was developers who were over-concerned by rental values and capital outlay. Town & City Limited³ were the first in this category. For them the Architects major function is to produce the maximum amount of lettable space. Indeed their attitude to the brief is summed up in their own words;

"what we do is from a very early stage give the Architects a figure, indeed as far as we are concerned that figure is written in stone." 4

In such condition Quality Design has little hope of flourishing. Bob Pell ⁵ noted a similar experience. In an exercise with a Pension Fund they found themselves constrained by a very tight budget. They found that once the "financial package" had been formed, they had the "Minimum influence" on matters of Quality". Making changes to create a more valuable and better product were done at their expense leaving them as designers out of pocket, or as Bob Pell said;

"They got the value and we got the cost."

Over-direction can as these examples show, create frustrated designers producing

substandard design solutions.

FUNDING

All who are involved in speculative development must raise short term funding. This is sought in three places;

BANKS (High Street and Merchant)

INSTITUTIONS

GOVERNMENT AGENCIES

Banks

The High Street Bank's policy on lending is dictated by its Head Office who set the overall percentage figure for the Bank's resources to be used as venture capital in the building development industry. The percentage set, investment and branch managers then place the same criteria on all developers who submit projects for consideration.⁵

Track Record

Commitment

Presentation

Track Record

The developers past record is of vital importance to the Bank, not only does it show his credit worthiness, a salient point, but also his ability to complete projects successfully and the scale of projects that he has been able to control. From the track record he is also able to deduce the particular field of development that best suits the developer. Quality Design holds no bearing here as the measure of success is the individuals or companies ability to repay loans and create a marketable product.

Commitment

The developers commitment is shown by, how much cash he is prepared to inject into the project. This is normally expected to be 20% of the total cost but may well be adjusted a point or two by the Bank, to a developer who is well known to them. Commitment to Quality Design, visionary views, draw no weight with the Bank who primarily wish to see safe and secure lending situations.⁶

Presentation

Presentation by the developer is considered an important part of the assessment process by the Bank.⁷ From it they believe, that much can be learned about the developers research, organisation and intention. A well balanced presentation, illuminating all the aspects of the proposed development will draw a good response from the Banks. Quality Design has no role to play for the average bank manager, who believes that they are not equipped to comment on physical design. Their role is to assess the marketability of the project.⁸

Merchant Banks

Merchants Banks, are also involved in building development and operate the same criteria as their sister organisation High Street Banks, but are capable of taking a wider view of the projects presented to them. Unlike the High Street Bank, they are prepared to search for profit which leads to taking an aggressive view of marketability and project participation.

Their view of marketability is something that will simply generate sufficient income to create profit. Mr McDonald quite honestly admitted during our interview;

*"that if you presented a project which was a simple metal hut in the middle of Sauchiehall Street and proved profit was possible—we would back it."*⁹

Regardless of what or where it is, if it will make money and the Merchant Bank has the resources, they will fund the developer.

Quality Design under the umbrella of marketability, did have a role to play in two situations.¹⁰

When deciding what projects to become involved with.

Where the developer has insufficient capital to meet his commitment.

Demand on venture capital is great and when the Banks are faced with a choice of similar projects to become involved with, they look at Quality Design as a factor. However they agreed that it is a layman's view of design influenced greatly by the in house surveyor.

An example of 100% funding was provided by the British Linen Bank.¹¹ They were approached by Classical House Developers who had recognised that Dalziel House, Hamilton, could be tastefully renovated and converted into high standard expensive flats,

surrounded by beautiful park lands and close to the heart of the Glasgow conurbation. The Bank recognised the Quality Design in terms of marketability and accepted the developers assurance that the physical quality would be of the highest level, and funded the whole project, taking a share in the equity of the project was their price.

Finally, an interesting method of funding was used by Lloyd's leasing a subsidiary of Lloyds Bank. They are prepared to fund the whole project and accept a repayment period of twenty five years, longer in some cases. The repayments are closely related to rental performance. This requirement adds an addition to the usual criteria, rental growth. Lloyds leasing analyses the likely rental pattern of the project and its cost-in-use and maintenance graphs. Like long term owners of buildings they desire a sound and safe project which will offer little user resistance throughout its life.

Roger Ball of Lloyds Leasing was reluctant to admit that Quality Design was a factor to be considered. However it was an area the Bank was now beginning to take more seriously but again they felt it was unknown territory.

INSTITUTIONS

The desire to protect and encourage the growth of their investors money leads large financial institutions to avoid the high risk activity of development, they much prefer to be the clients of developers and buy a completed project which has been fully tenanted. Their effect on Quality Design is difficult to gauge. However we believe that their power to release the element of risk from the developer, by agreeing to buy before completion could be used in terms of Quality Design positively.

GOVERNMENT AGENCIES

The Scottish Development Agency is an example of this type of body, who see their role as an enabler, offering grants and financial assistance to speculative developers, in an attempt to prime the market and encourage economic growth. Both Windex Limited at St Georges Cross and Nick Groves Raines at Speirs Wharf are both beneficiaries of aid. The problem found by speculative developers working with agencies is the necessity of public accountability which requires a slow and often cumbersome bureaucratic system, or as John Forbes said;

"the real problem (with grants) is that there is a horrific bureaucratic system to fight through which is not only heartbreaking but time consuming also."

Although the system may loose some speculative developers either because it is clumsy or like John Burke, they believe, that to involve grant bodies is to display a lack of confidence, they have been successful in encouraging development where Quality Design has flourished.

Tenant Expectation

In all markets the expectation of those who desire the product, profoundly influence the supplies. The speculative office market is no different. There are two areas where the expectations of the market reacted as a deterrent to Quality Design.

Rental Expectation

Quality Expectation

Rental Expectation

The aim of the tenant and long term owner are in direct conflict in the area of rent and rental growth. Mobil Exploration,¹² who rent speculative buildings throughout Europe are an excellent example of tenant attitude. They often accept a building or part of a building at a lower than average rent and of moderate design but holding a suitable location. Having secured the building they then spent a large capital sum on its interior to obtain acceptable standards. They argue that it is cheaper in the long term to avoid good quality building that will generate a sharp rental growth pattern. Although the initial outlay may be high the long term achievement of low rent may well offset this. One must note, that Mobil after outlining this policy, then took a very poor view of speculative building as a whole but fail to acknowledge any connection. Long term owners' expectation of rent is of a steady growth pattern with little expenditure between rental reviews; the sharper the graph the better.

Quality Expectation

The expectation of Quality Design varies greatly from client to client and market to market. This point was alluded to by Jones Lang & Wootton,¹³ who posed the rhetorical question relating it to clients;

"What is design, is it interiors, is it the finishes?"

Mobil Exploration's first expectation of a speculative office building was summed up by Mr Winguard who said;¹⁴

"The location must be right for us before we even consider it"

After the location factor is fulfilled they then consider how;

"best we can use the space." ¹⁵

For this type of client Quality Design is of no account and even if a Quality Designed speculative office block were in the right location, one feels that would consider it too expensive.

Roger Malcolm Homes Limited in their standard speculative house type believes their clients only expected to find quality design in kitchens and bathrooms; indeed as Mr Randall said;¹⁶

"really what sells the house is the quality of the kitchen and bathroom."

This was not the case in their Docklands project where they found prospective clients' expectations were much wider than kitchens and bathrooms.

Bob Pell of Conran Roche clearly pointed out that they were producing housing for a market that expected something better than average and'

"say yes, it cost £5,000 more" ¹⁷

D.C.I. Limited believed that clients were tired of high cost-in-use office buildings and now expected buildings where running costs could be controlled. To meet this, they embarked on a research programme and developed Westergait;

"An intelligent building." ¹⁸

To conclude this section I use the words of Dr Frank Duffy, who said;

"1960's—The market expected efficiency." ¹⁹

1970's—The market expected cost-in-use.

1980's—The market expected quality.

Market Research

The lack of Market Research presents the developer and his design team with an anonymous amorphous market of office tenants and users. Peter Blundell Jones when describing the situation, wrote that;

"Speculative office development has always suffered from the formlessness, the real client is unknown, also the social organisation of the firm." 20

This acts as a deterrent to Quality Design in two ways;

Lack of Defined User

Lack of Confidence

A failure to provide a defined user leaves the design team to concentrate their efforts on the entrance hall and service core of the building or as Paul Gussack²¹ said;

"Commissionaires and Chandeliers."

Peter Blundell Jones²² rights points out;

"that the Architect has no resource to work from the inside out deriving some appropriate richness from the programme, such as giving a particular group of workers a particular office, for example, or making sure the Managing Director has the best window."

Town & City Limited²³ project, Corunna House, is an excellent example of a speculative building which has followed this pattern. The project was sited at the edge of the traditional office area in Glasgow, and was thought by the developer to represent a high risk venture. Armed only with the local planners figures on the expected office needs within the city and the idea that the project could be executed in two phases, the developer briefed his design team on the required lettable space and minimum rental level. The result was a building of low technology contained in an anonymous blanket of glass and brick. However both phases achieved a higher rental level than the developer had expected, with a surprising takeup rate. This is reflecting the shortage of office space and not the benefit of design, showing that an experienced developer can be wrong even if lucky.

Lack of Confidence

Without precise knowledge of the market, or area that might be targeted, it becomes a haze of possibilities, undermining both confidence and Quality Design. The lack of confidence was clearly shown by Town & City Limited's decision to reduce risk and divide the project. Their design also indicates a lack of confidence as it was aimed at the total market and avoided specialist areas, computer companies for example. Because of this the design team

did not set out to seek quality or an interesting programme but rather they sought the lowest common denominator that the market would value.

4.3 ENCOURAGEMENT TO QUALITY DESIGN

The study observed three areas in the development process where Quality Design was encouraged;

Planning Direction

User Aspirations

Design Team Organisation

Planning Direction

Planning directions offer three different routes to developers and their design teams to achieve Quality Design; these routes are;

Planning Gain

Conservation

Identification of Sites

Planning Gain

In his book, Turner²⁴ pointed to the effect that development plans could have on the pattern of land values, he said;

"where land is zoned for a particular purpose this will encourage complimentary uses to come together to their mutual advantage and the redistribution of land uses will tend to bring about an overall increase in land values provided adequate land is allocated for those uses."

Using this theory together with Trevor Osbornes²⁵ stated belief that

"good design would attract good development projects."

The City of Swansea embarked on a development project to regenerate the inner city, particularly the old dock area. Their programme was aimed at creating new Regional faculties, such as sports, shopping and a maritime park, which would generate a profitable atmosphere for private sector investment.

Trading by planners on matters of plot ratio, heights and materials is not unknown in

the development world. In Swansea not only these matters were traded. Indeed the planners use the City's ownership or control of much of the land to bargain for Quality Design. Projects were not accepted because they represent short term gain or an achievable solution. They had first to contain Quality Design at every level as Trevor Osborne pointed out;

"The short term advantages are not worthwhile, you must wait until the good and the right development comes along. Quality Design attracts more Quality Designed Projects."

Although not a planning authority, Thamesmead Limited have followed a parallel route to achieve an upturn in their area. The major difference is that they have actively sought Quality developments in competitions. Their total ownership of land allows them the privilege of negotiation and the right to trade land cost for quality products. Their experience, together with an accurate record²⁶ of the policy's effect on land values has been that, once the priming exercise has successfully worked and land values begin to climb, it brings with it, more competition and better Quality developers. They found the process forced the not so good developers or those with standard products to change their attitude and use Quality Design in the projects offered to Thamesmead Limited. Two examples of this change were given. First, Wimpey Limited, after several attempts to arrange a project with Thamesmead Limited, conceded to drop their standard product and work with an Architect recommended by Thamesmead to produce a project of merit. Secondly, Roger Malcolm Homes Limited, also willingly rejected their standard product to provide projects where Quality Design flourishes.

Conservation

The conservation movement which has gained tremendous thrust in recent years has forced planners to take a firm view on preservation which has had a powerful affect on Quality Design in two ways;

Refurbishment

Location

Refurbishment

The acceptance of refurbishment was perhaps best exposed by London Metropolitan, Edinburgh.²⁷ Their own office complex is housed in a city centre Victorian

Terrace. They accepted that the building had an image which if used sensitively would be enjoyed by their clients. The interior too, has been wrought to maintain the corporate image of the building. While a delightful atmosphere exists the office does lack the many technical advantages of a good modern block with a reasonable floor plate.

The T.S.B. in Edinburgh is another project of London Metropolitan.²⁸ Again the problem was to maintain a conserved building, re-use and adapt it to modern uses. In both these projects the developer was forced from the outset to use Quality Design to achieve the transformation. His ultimate aim profit was assured only by the use of Quality Design which strengthened the existing image of the building.

Conran Roche in their project Butlers Wharf also accepted that conservation could be a positive element.²⁹ Unlike Town & City Limited who sold the site and building to them, believing the conservation problem was too difficult to overcome,³⁰ Conran Roche used the building's image to generate a project of mixed use of office and leisure. Using Quality Design to attack the problem they found a positive element within the building and exploited it.

Location Factor

Jones Lang & Wootton pointed to the natural resistance of the market to move from existing neighbourhood location. Indeed they believed the old adage Location, Location, Location was still the dominant factor in speculative office building.³¹ Yet they noted that the financial market almost as a body have moved out of Central London to find new accommodation that would cope with their changing needs, unlike the tired buildings in the city which are controlled and conserved by public opinion.³²

Noting a similar problem in Glasgow and using Quality Design, D.C.I. Limited³³ embarked on two speculative Office Developments outwith the traditional Location. Both Westergait and Northgait have proved successful, in attracting good quality tenants and at a higher rental level than the traditional location. D.C.I. Limited believe that Quality Design was the leading factor in their attempts to attract the market and then sustain it.

The aggressive identification of development sites and matching it with a suitable developer is another avenue to encourage Quality Design. Glasgow Local Planners directed Architect Developers Nick Groves Raines³⁴ to the Dundas Area of the City with particular

reference, to a conserved building. The result was that Nick Groves Raines provided a development plan supported by a design of quality for the regeneration and conservation of a sector of the Dundas area known as Speirs Wharf. The project is now under way. Another example is Windex Limited³⁵ who were directed to the Trinity Church, Glasgow, and managed to produce a Quality Designed project converting the Church into housing.

User Aspirations

User aspiration are well understood in many other product areas and have successfully pushed Quality Design forward. The design of cars and more particularly heavy goods vehicles testified to this. Unlike the consumer markets, users of speculative buildings are not the purchasers or indeed the tenants; this together with their lowly position in the economic chain, dilutes their direct influence. We must also remember that the high stock of old buildings derive many of the experiences of new office buildings. Accepting this restraint on the user, the study did find three areas where used demands push forward Quality Design;

Expectation

Perception

Demand

Expectation

The expectation of Quality Design has been fuelled in two ways;

The acceptance of base standards

The experience of Quality Design

Acceptance of base standards

Using the fast food industry as an example, Fitch & Co³⁶ pointed to the generally accepted base standards these outlets have induced; they believe and advise clients that if they wish to compete then at least the same level of service and visual quality must be achieved or failure will occur. McColl Design Limited³⁷ compare Marks and Spencer Limited food outlet section with their project with British Home Stores. They used Marks and Spencers standards as the base starting point for their project and design outlets of the highest visual quality were well received by both client and user. However, British Home Stores failed to reach the service standard, particularly with fresh food, as Marks and

Spencers, and the project collapsed.

McColl Design Limited³⁸ took the base standard arguments a stage further. They believe that there is now a base standard for shopping centres. If a shopping centre falls below the standard now accepted by the user then it will decline regardless of its location. They used Stuart Hall Metro Centre in Newcastle as an example of a project that has set new standards to which both existing and new centres must aspire to. The continuous acceptance of good basic standards opens the door for those who use Quality Design and force developers to think carefully about what they are doing.

Experience of Quality Design

The experience of Quality Design has been expanded by both travel and the ever growing visual media which has introduced many to new ideas and designs. Television has produced several programmes related to design and most recently Channel Four presented a series on design called, 'Design Matters',³⁹ and also published a small book with it, which attempts to expose the need for design in all aspects of our environment. On another level, Mr Watson of McColl Design Limited,⁴⁰ compared two television programmes, Coronation Street and Dallas, asking what most would aspire to. He believed that it would be to the design oriented programme Dallas.

Travel and the package holiday business has further widened the visual experience of many who on return to their homes look for a similar experience. Both Fitch & Co and McColl Design⁴¹ have noted this particular point in their retail work.

The insight that media and travel have offered has encouraged the users to look first for similar experiences or better, and become dissatisfied with the existing. This factor has encouraged developers who pursue Quality Design to flourish and caused developer like Town & City Limited to begin looking at public relations seriously.

The indicators from all the interviews was that design was a serious topic at every level of society and that consumers were now pushing and demanding better quality, the study tried to gauge the effect office workers were having on their employers. The study embarked on a small survey⁴² of purpose built offices who had responded to their organisational needs, in terms of technology, and the aspirations of their staff. The survey exposed three benefits

to be gained from an improvement in the office environment;

Attraction of staff

Staff morale

Public image

Attraction of staff

The attraction of staff involves many other factors; salary, condition of employment, job and career satisfaction, are only a few. The National Farmers Union⁴³ believe that their Quality Designed environment does help them, they said;

"a prestigious working environment does aid the attraction of new staff."

Similarly, General Accident was another employer who believed that working conditions were a factor in attracting staff, and as their building is situated in Perth, Scotland, well away from the main urban areas, they have found that;

"the building and its facilities are undoubtedly attractive to new staff from outside the area when they are invited for interview."

Staff morale

Staff morale is an important feature of modern commercial life and an area where Quality Design was found to have positive effects. The effects were measured in two ways;

Lack of staff complaints

Team spirit

Staff complaints about working conditions are time consuming and an irritant. Bass Limited⁴⁴ believe that the;

"absence of complaints about working conditions"

in their new building is a measurement of the benefits offered by Quality Design and a factor in their work forces' high morale. Mobil Exploration⁴⁵ too, have used this measurement to indicate the benefits of Quality Design. Their purpose built office has been linked with a speculative one. Although both office buildings have been fitted out in a similar manner and style, they receive many more complaints from staff housed in the speculative block. Although no survey has been carried out by them, they do believe that staff housed in the purpose built unit are much happier and easier to manage than the others. I.B.M. Limited,

Hampshire,⁴⁶ noted the same point. They have found the difference of Quality Design employed in the refurbishment of an existing office and a new office was small, yet the level of complaints between refurbished and new great. They believe that the disparity has been caused by taking the design in the new office to the level of giving staff some element of control over their personal environment.

Team Spirit

Turning to team spirit which may be achieved through many activities, but a shared common pride in their environment is one avenue to encourage a workforce to unite. General Accident⁴⁷ who believe they have provided an excellent total environment, at their Perth Headquarters, certainly would support this theory. They have found that the careful design of,

"the open plan offices (at Perth) have encouraged a greater sense of community."

This must not be taken in isolation but added to the wide and careful consideration of many other facilities built into their office complex. Halifax Building Society⁴⁸ had an office built some fifteen years ago and continue to be;

"sure that the standards (achieved in the design) improve staff morale"

particularly with new staff members. Mr Henderson of the Clydesdale Bank⁴⁹ believed that although now eight years old their Head Office did make a positive affect on staff morale which unfortunately is being disturbed by the many changes management have required from the building.

Public Image

The public image displayed by commercial organisation is very important for many reasons, and in terms of employers, used to attract new staff and publicly displaying the benefits on offer by the companies. Bass Limited⁵⁰ proudly measured this by the many Civil prizes the building obtained, however in general, no measurement was attempted by the companies but rather they felt it, and were prepared to support that feeling with money spent on Quality Design images and environments.

The power of user's demand has moved the retail industry and excited purpose built

offices and is now attacking the speculative market, as both the speculative office developments at Finsbury Park and the Royal Docks show. While the words attributed to the president of I.B.M. Limited

"good design is good business"

would indicate that successful companies are keenly aware of the value of Quality Design.

DESIGN TEAM ORGANISATION

In an attempt to overcome the obstacles to Quality Design, previously outlined, multi-discipline design teams have expanded, believing that they must first rid the design process involved in speculative development of the risk of misunderstanding between the various professionals involved. The study observed three clear methods of grouping and using multi-discipline practices;

Self generating group

Multi-discipline practice

Co-ordinator

Self generating Groups

Self generating groups is the title given by the study to define those companies who not only raise the finance for projects but also design and construct them too. Conran Roche Limited was the example of this group we observed. For them the development process for all projects falls into two parts;

Client Body

Design

Client Body

Bob Pell introduced this concept by telling us that Conran Roche much preferred to develop using

"O.P.M. Money"

other peoples' money, and to do this their chairman sought out people they believed they could work with. The Butler's Wharf project is an example of this where Conran Roche brought

Rothschild and McAlpines together with Conran Roche to form a development company. The result is that a client body is created, which has various long term interests. In this example finance construction and design respectfully. Another client was composed of Heron House Property Limited and Conran Roche where Heron House provided long term interest of finance and property, while Conran Roche remained concerned with design. The result of this policy was not only to create a client with very long term aims but also to provide a platform in the heart of the client body where the designer is heard.

Bob Pell believed that too

"although others have the lion's share we talk about it as if we are jointly responsible for that money."

The trend he noted, was for Conran Roche, who would gain considerably if the projects were successful, to be treated as a

"Minority partner."

Clearly in this kind of organisation Quality Design had the opportunity to flourish, but more importantly from the outset a brief giving clear direction is formulated.⁵¹

Design

Having helped to determine a clear brief, Conran Roche as lead consultants began the process of physical design. They rejected the traditional concept of a multi-discipline practice of Architect, Engineer and Quantity Surveyor. They shed both Engineer and Quantity Surveyor and composed a team ranging from selling Agents to Architects and furniture designers. They believe that the creative role is what the company does well and keeping it in-house is important allowing them the privilege choice;

"we like to choose situations where we can make the creative work."

They believe that their form of multi-discipline practice allows them to attack the obstacle to Quality Design in three ways;

Communication

Information

Direction

Communication

Communications are improved by the physical condition, everyone under the same roof, and that all designers share a common language reducing the opportunity of misunderstanding between the parties, and the automatically

"create a project atmosphere."

Information

The design team has the benefit of the latest information of those who have to sell the product and thus market research, market trends, together with financial targets are incorporated into the design process. Thus, a design financial feedback system is constantly used keeping designers and accountants in tune, ensuring that the product is tailored for the market. This most innovative aspect of multi-disciplinary practice was believed by Conran Roche to be the key to their success.

Direction

The design has the benefit of a single direction from day one which travels from the concept through the drawing board to the salesmen, generated by the continuous involvement of all the various professionals involved.

Multi-discipline practice

Fitch & Co and McColl Design Limited are examples of freelance multi-discipline practices. The major difference between them and the former is that they never become part of the client body, believing that if a client is willing to pay a fee for advice then they are willing to listen. Mr Chanin of McColl⁵² also noted it allowed them to stand back from the clients' position and view it objectively. Fitch & Co⁵³ also took this position and gave an example of their advice to one client who was considering a new distribution complex. They advised him to buy half-a-dozen mini-buses and transport staff to the existing depots. These companies employ all the professionals one would find in the traditional multi-discipline practices. However like Conran Roche they believe that selling agents and those involved in market research are equally important, and have slowly built up a team of professionals drawn from these areas of project development. We observed that both these companies responded quickly to market demands and could fluctuate from style to style easily. They are convinced

that the speculative building should be considered as a product similar to other consumer goods.

Co-ordinator

Bruce Gilbreth Architects represents the final method, of a retained co-ordinator. Developers like Trafalgar House responding to the failure of "High Tech" buildings together with their belief that Architects quickly loose sight of commercial requirements in design and management, have retained his company as initial advisors and master planners. His role has three stages;

InitialAdvisor

Comprehensive Strategy

Co-ordinator

InitialAdvisor

Advice is sought by the developers at the initial idea and concept stage. His input here is to advise on the potential of the various sites the developer has options on. Indeed at the time of interview his company was working on a disused open quarry trying to analyse the site's potential and exploring the idea of floating housing on the large expanse of water, generated by the quarry. They believe that from the outset the developer using their advice finds direction.

Comprehensive Strategy

His role of providing a comprehensive strategy was, they believed, vital. Having assessed the potential of an idea the provision of a clear strategy for its initiation was his next task. The strategy encompasses both fiscal and visual matters and was created with aid of letting and selling agents.

Co-ordinator

Having achieved a strategy they are required to advise and recommend on what type of Architects and design team should be engaged. We should note that his company were mainly involved in Business Parks each having several buildings sited on them. His continual role as co-ordinator during the remainder of the development process is to provide a constant and stable direction for the varied teams involved and to ensure the overall project is not

harmful or damaged by an oversight or failure on the part of the individual teams.⁵⁴

* THIS RELATES CLOSELY TO THE WORK OF:

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NOTES

1. Fitch & Co and Stewart McColl Design, London, Interview Nos 6 and 7 respectively.
2. Fitch & Co, London, Interview No 9.
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4. *ibid.*
5. Bank of Scotland, Glasgow, Discussion.
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7. *ibid.*
8. *ibid.*
9. British Linen Bank, Glasgow, Interview No 10.
10. *ibid.*
11. *ibid.*
12. Mobil Exploration Limited, London, Interview No 12.
13. Jones Lang & Wootton, London, Interview No 3.
14. Mobil Exploration Limited, London, Interview No 12.
15. *ibid.*
16. Roger Malcolm Homes Limited, London, Interview No 5.
17. Conran Roche, London, Interview No 4.
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28. *ibid.*
29. Conran Roche, London, Interview No 4.
30. Reported to us by Conran Roche.
31. Jones Lang & Wootton, London, Interview No 3.
32. D.C.I. Limited, Glasgow.
33. Nick Groves Raines, Edinburgh, Interview No 1.
34. Windex Limited, Glasgow.
35. Fitch & Co, London, Interview No 9.
36. Stewart McColl Design Limited, London, Interview No 6.
37. *ibid.*
38. Charles Mapleston, Design Matters, The Design Council, London, 1985.
39. Stewart McColl Design Limited, London, Interview No 6.
40. *ibid.*
41. See Appendix.
42. Contained in letter from National Farmers Union.
43. Contained in letter from Bass Limited.
44. Mobil Exploration Limited, London, Interview No 12.
45. I.B.M. Hampshire, Interview No 13.
46. Contained in letter from General Accident, Perth.
47. Clydesdale Bank PLC, Glasgow, Interview No 11.
48. Contained in a letter from Halifax Building Society, Halifax.
49. Contained in a letter from Bass Limited.
50. Conran Roche, London, Interview No 4.
51. Stewart McColl Design Limited, London, Interview No 6.
52. Fitch & Co, London, Interview No 9.
53. Bruce Gilbreth Architects, London, Interview No 8.

CHAPTER 5

DEVELOPMENT MODEL

- 5. Development Model
- 5.1 Introduction
- 5.2 Specification Change
- 5.3 Design Change
- 5.4 Problem Change
- 5.5 Location Change
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5. DEVELOPMENT MODEL

5.1 INTRODUCTION

From early observation the study noted that Quality Design, when it occurred, had various stages and levels. In an effort to understand this pattern the study has produced a model together with examples of each stage. There are five stages in the model defined as;

SPECIFICATION CHANGE	
DESIGN	CHANGE
PROBLEM	CHANGE
LOCATION	CHANGE
IMAGE	CHANGE

5.2 SPECIFICATION CHANGE

Specification change consists of raising the standard of the quality of the building by improving the specification, marble entrance floor instead of plastic tiles. This undoubtedly increases the quality of the building but it also raises cost. Used to target an available market such a move can increase profits. These changes require little effort and the risk involved is minimal, but the increased profits are unlikely to be more than marginal.

Town & City Limited with their project Corunna House Phase I and II are an excellent example of specification change. At the conclusion of Phase I Town & City Limited opened negotiations to begin work on Phase II. Although based on the Phase I Bill of Quantities, they did introduce several different features. Underfloor trunking, better heating and lighting specifications, all contained in an identical exterior fabric as Phase I. The risk involved was small, as Phase I had "Proved the market" with a very fast take up rate, and as pointed out earlier both sections managed to exceed their rental expectation, Town & City Limited were more than satisfied.

5.3 DESIGN CHANGE

Design changes. "The Standard Building" is constantly evolving with changes in technology or regulations. Any particular project may plod along as before or look for ways to exploit these changes. The first attitude requires minimum effort, the second considerable effort and skill on the part of the design team. Similarly, if design effort is made most "Standard Buildings" can make better use of their site or particular conditions if intelligently adjusted. However, everything does actually cost, in this case it is the design team that pays in care, time and effort. For a development to "win" this "bonus" certain conditions are critical. These will be discussed later.

As already stated, direct comparison between "Standard Building" and designed up ones are rare. The evidence we have, indicated that increases of up to 3% in sale price are achievable at no extra financial outlay to the development.

The Scottish Development Agency provide us with a second interesting example. At their Clydebank Business Park they embarked on a small project to provide small "start up" factory units. Great efforts were made to break the "Nissen hut" image of such units and to provide coherent location. The units proved to be successful in letting terms and have drawn much praise on their design quality. Mr D Mann of the Agency pointed out that these carefully designed units cost no more to build than others the Agency have sponsored. However the real cost of the design was borne by the Agency.

D.C.I. Limited Glasgow with their Westergait project provide another example of Design Change. They purchased the site on the corner of Argyle Street and Hope Street after it had been lying derelict for over two decades. This site was known to have structural and retaining problems due to underground railway lines serving Central Station. They intended to produce an office building and were working in conjunction with Jones Lang Wootton as agents. D.C.I. and Jones Lang Wootton soon parted company and D.C.I. continued alone. From interviews with both parties, we established a middle ground that the

main difference of approach was the expected level of first letting rent and quality of the building. Jones Lang Wootton wanting to stick to the level of cost per square foot current in Glasgow at the time, especially as the development was just outside the Central business zone, but D.C.I. believed it was possible and profitable to go for a higher quality building and a higher return. In the event, D.C.I. pressed their Architects and Consultants hard and built an advanced technology building of high specification and relatively innovative design which they successfully let under the title of "an intelligent building". It has been impossible to gain access to the exact costings of this project, but piecing together evidence and opinions from various sources we have concluded that the reduced site value was probably mainly swallowed up by the expensive structural problems and that the peripheral nature of the site was overcome by a combination of high quality materials showing confidence and innovative technical design, enabling the building to offer something "extra" to potential clients. This "extra" put the building cost above the norm, but this has enabled it to command rents 10% higher than those expected for office buildings in Glasgow. The professional view is that D.C.I. will do even better out of this building in the future and that the building is a financial success as well as being a credit to the city.

D.C.I. saw these changes from the "Standard Building" favoured by Jones Lang Wootton as essential to success. One, unfortunately, cannot leave this example at this point, as the risk factor has not played its last card! There is evidence that the building is not as "intelligent" as hoped, as it is having considerable teething problems. This to a certain extent exonerates Jones Lang Wootton but we would like to give the last word to Mr Campbell Fraser, Management Director of D.C.I., the final heroic comment, "if I, as a Glaswegian, won't take risks with a building in Glasgow, then who will?"

5.4 PROBLEM CHANGE

Problem Changes, scarcity of easily developed sites, planning restrictions,

conserved building fabrics, among other factors, push developers into tackling problems—these conditions give rise to a challenge for the design team which in turn makes the success of the development dependent on the Quality of the design solution. A developer tackling a problem will be taking a higher risk but he will also stand to make a considerably higher profit as "the problem" will have lowered the cost of site acquisition. It is not possible to put any percentage increase on this type of change as each such situation is unique and essentially bound to its particular problem.

Sainsbury Limited at Camden Town is an example of a developer reacting to a problem. Market Research had convinced them that a store sited in Camden Town would attract sufficient support to be viable. They commissioned Brown Rigg & Turner Architects to design the building and obtain all necessary permissions. The local planners rejected the scheme on the ground that Camden Town had no need for another large retail store.

Brown Rigg & Turner's commission was terminated by Sainsbury, who then commissioned Grimshaw & Partners briefing them to design a building of outstanding Architectural merit. Using Grimshaws unique design Sainsbury returned to Camden Town both at planning and political levels offered a "work of art" for Camden Town. This they believe gained them the necessary planning consent.

Thamesmead, the old GLC estate outside London was sold off as a private company, as part of the process of disbanding the GLC. Thamesmead Limited became the possessor of a fair number of L.A. housing estates and very large tracks of under-developed land. Although they deal mainly with housing, it is their attitude to their land bank that is of interest here. When the company was formed, their land, although valued, was in fact virtually unable to be sold on the normal land market. They decided on a policy of insisting on all new housing being very well designed, and to this end they drew up a list of well proven private housing architects who could be relied on to produce good work. Although competitive "package deals" and many limited competitions are used only the work of the listed architects is accepted. (The list is obviously adjusted over time). The effect has been a steady and

measurable increase in their land's value—it is now the most valuable in the area. This was the only case we found where the knock-on effect of quality design could not only be seen, but accurately measured.

5.5 LOCATION CHANGE

Location Change: This has two aspects, firstly building in an area not recognised as "normal" for that type of building and, secondly changing the nature and, therefore, value of the location itself, usually represented by increased land values. These two aspects commonly interact.

Concerning the first aspect—it requires considerable development nerve to break the old adage "the three most important factors in a development are Location Location and Location" to the brave such a move offers great financial gain, but carries great risk. Methods of reducing this risk were observed to have been used. The scale of the development can be used to generate such a large volume of a new environment that it creates its own Location, obviously considerable financial resources are essential to such a method. The nature of development can be used to create confidence and project a new image used along this technique has limitations but when the two techniques are combined, success is beginning to be assured.

The second change of Location is not normally directly available to the standard commercial developer, as it concerns the deliberate changing of land values, he may, however, be clever enough to realise what is happening and buy in on the change. The process requires large areas of cheap land to be upgraded to relatively expensive land. The examples studied made use of large quantities of quality designed buildings to achieve rises that were reported to be as large as a five fold increase in land value in only one year. To quote our source of information

"There is nothing happening in between except design".

Conran Roche with their project Butlers Wharf are an example of Location Change. They bought the entire development site of Butlers Wharf, from Town & City Developers Limited who thought the site's only potential was office development. Conran Roche widened the scope of their development brief and designed a mixed used venture. They believed that the various functions, leisure retail, office and residential would support each other and generate its own micro-economic and social system, successfully changing a traditional riverside warehouse Location to an area of urban activities.

Swansea Town Council is another example. Faced with derelict quay side sites and an urban area blighted with industrial wasteland, they initiated the creation of a maritime park on the old dock lands site, like Butlers Wharf the park offers various functions which provide a micro-economic climate strong enough to identify it as a new Location worthy of note.

5.6 IMAGE CHANGE

Image Change: This represents the most undefinable of changes. Here a development or series of developments may be used for the purpose of changing the public's or an individual's perception of a place, object or corporation. It brings one into the worlds of fashion and the psychology of perception. In this situation there has to be a powerful commitment to a well defined aim. This aim may come from the client/developer himself, or he may use a designer whose previous work embraces what he is looking for. Powerful personalities are usually involved. The profits here unfortunately are not able to be measured as they are mainly due to a knock-on effect, the risks are also usually not measurable but examples of slipped images can be found.

IBM by any standards is a highly successful international company. Their president is attributed with the phrase "good design is good business". An examination of IBM's building policy shows that they firmly believe that our fifth category is very valuable. All their buildings are built to a specific modern, glass and steel type. They consistently use good architects and

their buildings are usually noted in the press as prestige buildings. This image has been so successful that it has been imitated by other firms in the hope that IBM's quality reputation will rub off. Such a demonstration of faith in good design cannot be lightly dismissed.

6. QUALITY DESIGN'S VALUE

6.1 The task of this work has been to assess the value of Quality Design. Many at the outset of the work agreed that Quality Design was a valuable commodity, they were however, at a loss to pinpoint it. Developer's polite refusal to discuss finance in detail removed any possibility of finding concrete evidence of financial gain. We believe that the answer to the question "Does Quality Design have a Value?" is yes, and its value is its ability to generate profit.

This ability was demonstrated in the housing market by Roger Malcolm who abandoned their standard product and sought greater profit by using Quality Design in their project in docklands. Conran Roche too believe that their reputation and profit margin at Butlers Wharf have been enhanced greatly by Quality Design.

Fitch & Co together with Stuart McColl Design with examples like Debenhams, John Hall's Newcastle project and the Midland Bank display the retail industry believe that Quality Design and the corporate image are a major tool used to achieve profit.

Probably the most successful example ever of the use of Quality Design in all its aspects is the Rockefeller Centre, New York. The centre exhibits a higher specification (granite, stainless steel) than was the Wall Street norm of the time. The Design set new standards in exploiting the set back rule of New York City and produced quality entrances to the deep blocks and even gave an environmental improvement "The Square", which has now become the symbol of the centre and even of New York itself.

The relocation of expensive offices from the high land values of Wall Street to the then low values of the depressed Mid Town was a masterstroke which the scale of the entrepreneur ensured would succeed and the accumulative effect of this has altered the shape of Manhattan.

Finally, the excellent architects chosen (Harrison and Abramovitz) have given the centre of world renown symbolism. Obviously not all projects have the vision and financial backing that the Rockefeller Centre had, but from it, one can see the full potential for both

built environment change and the massive profits that Rockefeller made.

We do accept there are financial situations where Quality Design will be given no opportunity to emerge. However, as soon as a decision is made to exploit the situation to the full, then design will show its potential and in most circumstances the quality of the design will improve the potential for profit.

As one moves through the four stages of the development model, Chapter Five, as quality rises the potential for profit rises and the potential for accumulative gain rises, but the risk increases and the capital input increases. Putting figures on these stages can only be given on the evidence to date and must remain tentative and relate to the present situation, the unpredictability of the knock-on effect is best summed up by the unprompted remark of one hard nosed developer,

"the thing that has done more for property values in Glasgow over the last ten years was the building of the Burrell Museum".

"DOES QUALITY DESIGN HAVE A VALUE"

Interim Report

MAY 1988

Mackintosh School of Architecture

Research Unit

In response to the question "Does Quality Design have a Value" posed by the Property Development section of the Scottish Development Agency. The research unit at the Mackintosh School of Architecture has initiated a research programme consisting of an analysis of empirical sources balanced against theoretical studies of the Development and Investment fields of the building industry.

The first objective has been to make understandable the existing models of development and the prevailing attitudes to design. Having achieved this, we intend to show against the model where Quality Design is imperative for successful development and how it can be encouraged.

Having reached the mid-point of the research programme, it was felt an appropriate point to produce a short report, outlining the conclusions derived from the work to date. Research has been confined to these building projects that house economic activity; speculative office building; industrial buildings; and Business Parks. However, the investigations have touched on housing shops and shopping centres. The main body of evidence, from where the conclusions have been drawn, has been gained from a series of interviews based on a snowball sample, spanning the whole spectrum of professional practices in the building development and investment fields, both in Scotland and the London area. Contact with other academics researching parallel areas have also been established.

The research team have initiated a questionnaire circulating it to both building users and sponsors. The questionnaire tries to elicit some quantifiable responses, related to new quality office buildings efficiency. The results of the questionnaire are not yet available.

The highly subjective terms, Quality Design and Value contained in the question have been given a working definition by the research team as:

- a) Value is seen as an element in the project that the market considers is worth paying for.
- b) Quality Design is a conscious decision to move from the "Standard Building"¹ while maintaining a viable project.

Similarly, the terms Financial Institutions and Developers have been given definitions as:

- c) Financial Institutions are those companies that invest capital into buildings and their creation to secure a long term income.
- d) Developers are those individuals and companies who invest their money into buildings to achieve an immediate profit.

There is one other definition that should be noted; Specification Quality, which is the simple increase in the standard of materials used in any project.

The summary of the interviews to date have produced three major observations:

- 1. Change means departure from the "Standard Model".²
- 2. Risk is essential for change.
- 3. Change has a clear pattern.

Change from the standard model occurs as a result of two major pressures.

- i) The need to satisfy the rising tide of expectations from both tenant and user.
- ii) Those influences that developers perceive as a problem. Problems ranging from conservation; limited sites and planning difficulties; new office procedures and manufacturing technology and the users growing aspirations, has pushed developers to seek new designs to ensure that their projects will obtained a viable value.

Conservation has restricted the creation of vacant sites in the traditional locations and forced developers in two directions:

- i) To accept the conserved building as it stands and refurbish it, increasing its specification standard or/
- ii) Abandon the conserved traditional sites and seek available sites on the edge of the existing neighbourhood location where they can develop the new breed of commercial office accommodation.

New office practice and technology coupled to the general rise in the working population's expectation of their environment has encouraged design change. To meet this, we observed signs that new contracting methods allowing the tenant greater flexibility in interior matters

were beginning to be adopted. In a similar manner, manufacturing process, particularly in the computer industry, has forced a reassessment of the standard model. The concept of a total working environment where the needs, desires and aspirations of both companies and those they employ must be satisfied, is not filtering through to the development and investment fields.

Limited sites and planning restrictions do affect land values. When faced with high land values, developers turn to design to produce quality as a saviour to protect both investment and create sufficient returns. However limited sites of the right scale and nature have driven developers to accept marginal sites for their projects. Again they turn to designs to create value.

Planning authorities with their statutory ability to structure, have an ongoing influence on all factors leading to change. Although the research, as yet, has not fully investigated the new development corporations, it would seem that they have recognised the potential of the positive use of their powers of intervention that is not only to structure land use, but to dictate design standards, through competition and careful selection of development and design teams. This would seem to be achieving Quality Design.

Risk is essential for change to happen as it represents a move into the unknown, or less known, areas, therefore, the ability to forecast the expected future is reduced. This is anathema to Large Financial Institutions who therefore, do not entertain risk as far as possible. Their reliance on tradition valuation systems produces an investment and development programme focused on safe secure untroubled sites, and this attitude filters down through their entire organisation. However, the developers we have observed are fascinated by change and are continually examining the entire development process to find where the situation is unstable, for it is the successful exploitation of these weak points that can give rise to large profits. The success of these developers relates primarily to the ability to forecast which changes will be successful and as far as possible to manage these changes. Again there is a range from those that develop from a combination of experiences and "the seat of the pants" to those that take a very professional attitude to managing risk. This latter group manage risk by three observable principles.

a) **SCALE**

Where it is intended to change the use of a location or site, for example, an industrial site of an office location, then to enhance its value, large scale is used. If the scale of the development is sufficiently large to create its own environment related to its use, it will then create its own market value.

b) **RISK MANAGEMENT**

Within some of the organisations we examined, it was noticed that they had responded to the management of risk by recognising the management of the complete development process, which possess two types of risks (a) the inherent risk in the project; will it sell for more than it cost and (b) between the various professions involved in the development there is a risk at every junction; will the market team understand the architect's intention, or will the architect understand the nature of the financial equation? The method of removing these inter-professional risks was to unite the various professionals into one agency; the multi-discipline practice on a grand scale. This also forces those professionals involved to focus on the inherent risk of the entire project which is then better managed. It is of interest to note that these organisations concentrate on getting the creative, or potentially creative people, into the team and did not bother with those areas of skills not directly involved with the creative process; Designers and sales were in, Engineers, Quantity Surveyors were brought in from outside practices.

c) **PERCEPTION OF RISK**

Where change arises due to forces that are in operation independently; listed buildings threatened with demolition or industrial closure creating an unacceptable level of unemployment. This produces a situation where risk demands to be managed. The response here varies greatly, but commonly contain a method of risk management that requires changes of perception, compared to other cases. These changes may entail seeing the retention of the listed buildings as the aspect of

greatest value and any financial gain is secondary, or the change in the image and therefore, the employment potential of a town as being so essential in terms of human resources, that any short term financial considerations are not considered the prime aim. That is, not responding to the risk is a worse option than accepting it.

The pattern of change we have observed, consists of a range of attitudes. The large financial institutions who are fundamentally interested in investing money as safely as possible at a known return. They do not welcome anything that makes their forecasting of returns more difficult. They are therefore, hostile to any change whether it be in the estate value of buildings, or in the nature of the buildings themselves. Historically investment in the building stock has proved to be a good way of ensuring their aims. At the other end of the spectrum are developers who are in the market to make money out of buildings for themselves, and are interested in change, as it represents opportunity for greater profits. There is a range of possibilities to be seen between these extremes. However, the market has an overriding control as it offers to each of the various attitudes, within this spectrum, an opportunity. Change no matter where it occurred in the spectrum has a discernible pattern of four clear stages:

1. SPECIFICATION CHANGE

Upgrading the specification quality of the "Standard Building", this entails little risk and little design input.

2. ACCEPTING A PROBLEM

When a developer perceives that a market advantage can be gained by accepting a problem then he takes the risk of development and employs the design in one form or another to solve that problem.

3. LOCATION CHANGE

Changing the use of land requires the nerve to break the development adage of "location location location". This carries great risk but offers the greatest financial returns. The risk can be managed usually by the organising ability of a complete design team.

4. CHANGE OF PSYCHIC

A development may be used for the purpose of changing the public, or an individual's perception of a place, object or corporation. This requires exceptional design talent.

The predictability of the first stage is linked by the Property Companies and Financial Houses. It responds to their view of rental growth and their need to ensure a stable investment programme at the lowest possible risk level. At a lower level, the less able developer, often with a quick profit motive, indulges in this exercise too, in the hope of enhanced fast returns. The second stage offers developers who seek the unstable elements, to exploit for profit, the opportunity to attack the problem with Quality Design. For them a Design of Quality is not an altruistic gesture, but the instrument which will gain them a healthy return and the vehicle on which reputation is built for future opportunities. The enormity of risk involved in location change, the third stage, forces developers and investors to group together and use Quality Design in tandem with risk management as the only method of understanding the task and securing a successful project.

The final stage, takes the product and its development into the realm of image, imagination, symbols and the ego. Mr Peter Plumbo's efforts to build a Mies van der Rohe tower in London was a good, albeit an unsuccessful, attempt at this stage. Lloyds Building also in London is an example where the client's demand of a new image led the development of his building similarly, the commitment to design as outlined by the past president of the computer manufacturer, I.B.M. "Good design means Good business", coupled to their desire to present their corporate image to both public and staff, has kindled buildings full of imagery and symbolism. While the London Borough of Camden has encouraged the Sainsbury

Group to generate a building, designed by Nick Grimshaw, which the Borough believes will express the image of Camden.

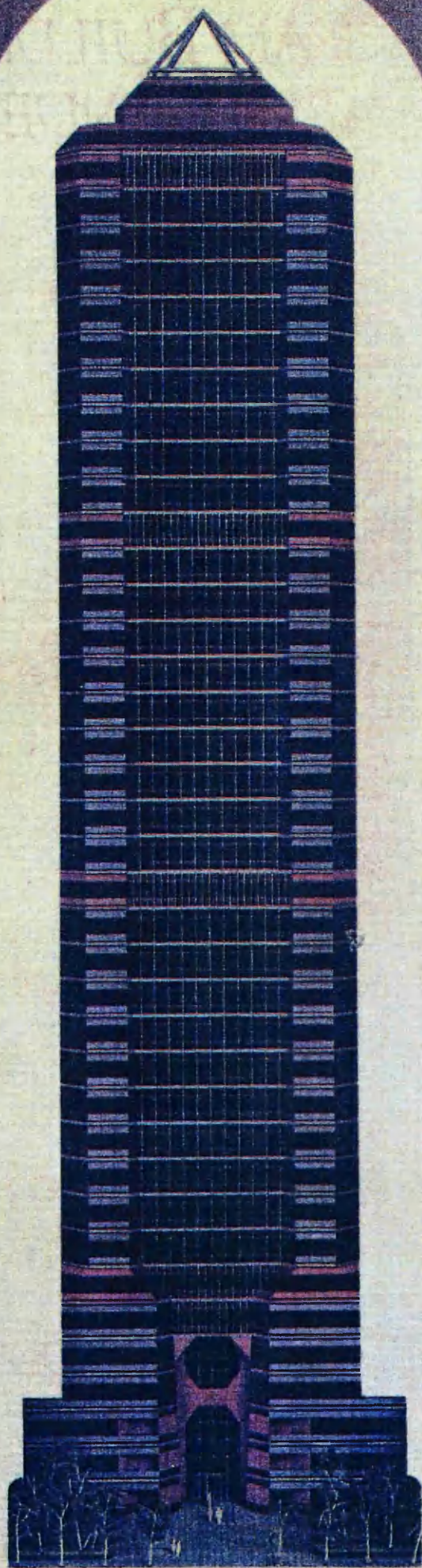
Left alone the market will be happy to remain engaged with stages one and two and wander into three when pushed. Stage four requires invigorating individuals with vision who wish to project an image or create a new one. Although Quality Design demands greater effort and sacrifice, its real value is that it offers the opportunity of achieving greater rewards and further investment.

FOOTNOTE

1. The Standard Building is one that provides the basic level of functions, servicing and management that the market will accept and still supply an acceptable return at the lowest possible risk.
2. This interlinked pattern can be observed as common to all design areas which we have been involved with from changes at the urban level to the level of a building component.



**DOES QUALITY DESIGN
HAVE A VALUE?**



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"Does Quality Design have a value?"

prepared by

MACKINTOSH
SCHOOL OF 
ARCHITECTURE
RESEARCH UNIT

Project No. 0047325

November 1988

INTRODUCTION

This study was initiated by the design teams of the Scottish Development Agency, who posed the question "Does Quality Design have a Value?".

This question arose from the sponsor's desire to provide themselves with a tool which they hope to use to encourage better quality design standards in the projects they initiate or support, thus making a better use of Government funds. The limits of the study were originally set by the sponsor as those buildings containing economic activity with particular emphasis on speculative office buildings and industrial development. However, both the retail industry and the housing market were found to be extremely helpful during the course of our study.

Geographically the study has been confined to the Scottish Market as this is the domain of the Scottish Development Agency, and speculative work in the London Area; this is commonly accepted as the best guide to the future for the Scottish Market.

From the initial observation of those who generate design, it quickly became apparent that those who control financial input, have considerable control over the design of the final product, both by patronage of particular design teams, and the setting of important constraints, such as time and costs. As most of the sponsors work is at the enabling level, a close examination here would ensure relevance to their field of activity.

The study embarked on a series of interviews based on a snowball sample, initiated by the sponsor, believing that this would be the most expedient method of obtaining motives, methods of funding and attitudes to design. It was hoped that the opinions and actions of the good would be used to bring on the not so good.

SUMMARY

- 1.1 The basic working method and field of study for this research had been agreed at the time of the initial commissioning. The method would be to interview those involved in sponsoring the design of buildings to discover their views and reasons for the actions they take in relation to the question of quality design. The study should concentrate on buildings that generate employment, particularly office and industrial buildings, but not necessarily to exclude other building types.
- 1.2 This proved to be an adequate method but required working definitions. The first to be introduced was the concept of the "**Standard Building**". This provided the work with a base line, it was defined as; Standard building is one that provides the basic levels of function, service and management that the market is known to accept, while supplying an acceptable level of financial return at low risk.
- 1.3 The two subjective terms **Value** and **Quality Design** have been defined as: Value is any element in a project that the market considers worth paying for. Quality Design is a conscious decision to move from the "Standard Building" while maintaining a viable project.
- 2.1 To answer the question posed requires examination of the concept of value. To do this a decision has to be made as to how value is to be measured. It was decided to put design into the market place and value it as any other service, that is by seeing (a) how much people were prepared to pay for it and (b) what increase in profit this service could achieve.
- 2.2 (a) The cost of the design of buildings has been historically fixed by the various professions involved at 12% of the building costs. Although no longer mandatory,

the experienced operators of those interviewed, did not consider it useful to bargain for a lower figure in normal circumstances as this fee represents a very small percentage of the entire development cost, but a significant number were using different timings of payment—tying the architects fees to the builders certificates being a popular one.

2.3 One, therefore, concludes that within the development field this historic figure is acceptable for the present.

2.4 Referring to 2.1 (b) above, this proved to be a far more complex subject. The obvious method of comparing buildings with and without quality design is seldom available as virtually all buildings are unique. It must also be noted that developers of different types will perceive improvement in different ways. To enlarge on this point, one must note that if we use the definition given by Fothergill Monk and Perry¹ of developers falling into four different groups vis:

Developer - Seller

Builder - Developer

Developer - Investor

Investor - Developer

For our interviews we would add a new group:

Designer - Developer

2.5 Then each of these groups has a different perception of improved value.

For the **Developer Seller** an immediate cash profit on the buildings sale is required, an increase in that profit is the perception of improved value.

For the **Builder Developer** the immediate cash profit is tempered by the additional requirement to keep his entire organisation in profitable employment.

The **Developer Investor** is interested in producing a building that will give a long term return, the potential for rent increases and lack of maintenance problems,

therefore, become dominant factors.

For the **Investor Developer**, the view of improvement is the same as the Developer Investor except that as this group is normally dealing in other people's investment (mainly pension funds) then the requirement for long term, safe, known, returns, is very powerful.

The new group **Designer Developer**, mainly architects, have mixed aims, undoubtedly immediate cash profit is required for survival, but it is tempered by such motives as work continuity and professional prestige.

It must be noted that all these groups have to be conscious of the ultimate client—usually a series of long terms tenants, the expectation of these are at present seen to be rising in aspiration, mainly due to the ease of comparison of life style offered by today's communications systems.²

The effect of this is gradual but relentless. As opposed to this general advancement must be set the extreme caution of almost all of the Investor Developers who are only interested in a safe haven for the money entrusted to them.

"The reason to invest in a building is to achieve a rate of return equal to or better than investment in gilts. If buildings should fail to achieve this, we would look elsewhere to invest." ³

2.6 When we now examine **Quality Design** there is a universal claim to want it but "actions speak louder than words" so an examination was made of what the participants were prepared to pay for. Inevitably this provided a wide range of answers but they could reasonably be reduced to five situations where developers were prepared to pay for change from the "Standard Building", these were:

- a. Specification Change
- b. Design Change
- c. Problems Change
- d. Location Change
- e. Image Change

It has to be noted that change always takes one into the unknown and, therefore, increases the potential for risk. This must be discussed before the five types of change can be examined, as the risks involved varied considerably between these types of change.

- 2.7 All developments entail some degree of risk, factors outside the industry's control may change financial equilibrium drastically.⁴ However, most developers activity is hectic in times of boom and they accept a slower pace in times of slump. If we examine the five types of developer again in relation to their attitude to risk, this will relate to their attitude to change.

For the developer seller taking risks is almost his professional "reason d'être". He will naturally use all his experience and skills to control risks, but the lure of a "killing" will cause him to tackle the non-standard situation. The builder developer usually only takes risks where his professional knowledge or ability to control the construction gives him an edge, such as sites with difficult construction, or drainage, problems. This is also true of the Designer Developer except that the nature of the difficulty is different—the re-use of awkward historic buildings being typical. The remaining two developer types are not interested in risk. In fact, non-risk is what they are after which is the reason they commonly buy finished buildings thus avoiding the risk filled development stage.

- 2.8 We now return to examine the five defined types of change:

a. **Specification Change** consists of raising the standard of the quality of the building by improving the specification, marble entrance floor instead of plastic tiles. This undoubtedly increases the quality of the building but it also raises cost. Used to target an available market such a move can increase profits. These changes require little effort and the risk involved is minimal, but the increased profits are unlikely to be more than marginal.⁵

b. **Design Changes.** "The Standard Building" is constantly evolving with changes in technology or regulations. Any particular project may plod along as before or look for ways to exploit these changes. The first attitude requires minimum effort, the second considerable effort and skill on the part of the design team. Similarly, if design effort is made most "standard buildings" can make better use of their site or particular conditions if intelligently adjusted. However, everything does actually cost, in this case it is the design team that pays in care, time and effort. For a development to "win" this "bonus" certain conditions are critical. These will be discussed later. As already stated, direct comparison between "Standard Building" and designed up ones are rare. The evidence we have, indicated that increases of up to 3% in sale price are achievable at no extra financial outlay to the development.⁶

c. **Problem Changes,** scarcity of easily developed sites, planning restrictions, conserved building fabrics, among other factors, push developers into tackling problems—these conditions give rise to a challenge for the design team which in turn makes the success of the development dependent on the Quality of the design solution. A developer tackling a problem will be taking a higher risk but he will also stand to make a considerably higher profit as "the problem" will have lowered the cost of site acquisition. It is not possible to put any percentage increase on this type of change as each such situation is unique and essentially bound to its particular problem.⁷

d. **Location Change:** This has two aspects, firstly building in an area not recognised as "normal" for that type of building and, secondly changing the nature and, therefore, value of the location itself, usually represented by increased land values. These two aspects commonly interact. Concerning the first aspect—it requires considerable development nerve to break the old adage "the three most important factors in a development are location location and location"⁸ to the brave such a move offers great financial gain, but carries great risk. Methods of reducing this risk were observed to have been used. The scale of the development can be used to generate such a large volume of a new environment that it creates its own location,⁹

obviously considerable financial resources are essential to such a method. The nature of development can be used to create confidence and project a new image¹⁰ used along this technique has limitations¹¹ but when the two techniques are combined, success is beginning to be assured.¹²

The second change of location is not normally directly available to the standard commercial developer, as it concerns the deliberate changing of land values, he may, however, be clever enough to realise what is happening and buy in on the change. The process requires large areas of cheap land to be upgraded to relatively expensive land. The examples studied made use of large quantities of quality designed buildings to achieve rises that were reported to be as large as a five fold increase in land value in only one year. To quote our source of information¹³

"There is nothing happening in between except design" .

e. **Imagine Changes:** This represents the most undefinable of changes. Here a development or series of developments may be used for the purpose of changing the public's or an individual's perception of a place, object or corporation. It brings one into the worlds of fashion and the psychology of perception. In this situation there has to be a powerful commitment to a well defined aim. This aim may come from the client/developer himself, or he may use a designer whose previous work embraces what he is looking for. Powerful personalities are usually involved.¹⁴ The profits here unfortunately are not able to be measured as they are mainly due to a knock-on effect, the risks are also usually not measurable but examples of slipped images can be found.¹⁵

These five changes are not watertight compartments, in fact, most developments exhibiting quality design contain a little of all of them but usually are driven by only one or two—see case studies 3.1—3.3.

3.0 At this juncture we propose to give three short case studies that are chosen for their own interest but also to illustrate the above.

3.1 Case Study A

The relatively small local development company DCI Ltd., Glasgow, purchased the site on the corner of Argyle Street and Hope Street after it had been lying derelict for over two decades. This site was known to have structural and retaining problems due to underground railway lines serving Central Station. They intended to produce an office building and were working in conjunction with Jones, Lang, Wootton, as agents. DCI and JLW soon parted company and DCI continued alone. From interviews with both parties, we established a middle ground that the main difference of approach was the expected level of first letting rent and quality of the building. JLW wanting to stick to the level of cost per square foot current in Glasgow at the time, especially as the development was just outside the central business zone, but DCI believed it was possible and profitable to go for a higher quality building and a higher return. In the event, DCI pressed their Architects and Consultants hard and built an advanced technology building of high specification and relatively innovative design which they successfully let under the title of "an intelligent building". It has been impossible to gain access to the exact costings of this project, but piecing together evidence and opinions from various sources we have concluded that the reduced site value was probably mainly swallowed up by the expensive structural problems and that the peripheral nature of the site was overcome by a combination of high quality materials showing confidence and innovative technical design, enabling the building to offer something "extra" to potential clients. This "extra" put the building cost above the norm,¹⁶ but this has enabled it to command rents 10% higher than those expected for office buildings in Glasgow. The professional view is that DCI will do even better out of this building in the future and that the building is a financial success as well as being a credit to the city.

DCI saw these changes from the "Standard Building" favoured by JLW as essential to success. One, unfortunately, cannot leave this example at this point, as the risk factor has not played its last card! There is evidence that the building is not as "intelligent" as hoped, as it is having considerable teething problems. This to a certain extent exonerates JLW but we would like to give the last word to Mr Campbell Fraser, Managing Director of DCI, the final heroic comment, *"If I, as a Glaswegian, won't take risks with a building in Glasgow, then who will?"*

3.2 Case Study B

Thamesmead, the old GLC estate outside London was sold off as a private company, as part of the process of disbanding the GLC. Thamesmead Ltd., became the possessor of a fair number of L.A. housing estates and very large tracts of underdeveloped land. Although they deal mainly with housing, it is their attitude to their land bank that is of interest here. When the company was formed, their land, although valued, was in fact virtually unable to be sold on the normal land market. They decided on a policy of insisting on all new housing being very well designed, and to this end they drew up a list of well proven private housing architects who could be relied on to produce good work. Although competitive "package deals" and many limited competitions are used only the work of the listed architects is accepted. (The list is obviously adjusted over time). The effect has been a steady and measurable increase in their land's value—it is now the most valuable in the area. This was the only case we found where the knock-on effect of quality design could not only be seen, but accurately measured. For further comments see Appendix 1.

3.3 Case Study C

IBM by any standards is a highly successful international company. Their president is attributed with the phrase "good design is good business". An examination of IBM's building policy shows that they firmly believe that our fifth category is very valuable. All their buildings are built to a specific modern, glass and steel style. They

consistently use good architects and their buildings are usually noted in the press as prestige buildings. This image has been so successful that it has been initiated by other firms in the hope that IBM's quality reputation will rub off. Such a demonstration of faith in good design cannot be lightly dismissed.

4.0 Finally, during the course of this work, on many occasions we were told—why Quality Design did not work. We feel these are worth recording. The most important but intractable reason was a failure of judgement as to what the market would take. If architects are briefed incorrectly then however well the design team works, failure is inevitable.¹⁷ The other factors which were mentioned, it should be possible to ameliorate. Many developers, especially the inexperienced, demand and unfortunately get, design produced too quickly for them to be properly considered. In the situation where fees have been negotiated to an unreasonable level, the design time will be cut to make a project viable and quality will suffer. If the design team is kept in a watertight compartment with regard to information, their expertise will be wasted and morale more difficult to maintain.

5.0 Conclusion:

Probably the most successful example ever of the use of Quality Design in all its aspects is the Rockefeller Centre, New York. The centre exhibits a higher specification (granite, stainless steel) than was the Wall Street norm of the time. The Design set new standards in exploiting the set back rules of New York City and produced quality entrances to the deep blocks and even "gave" an environmental improvement to "The Square" which has now become the symbol of the centre and even of New York itself.

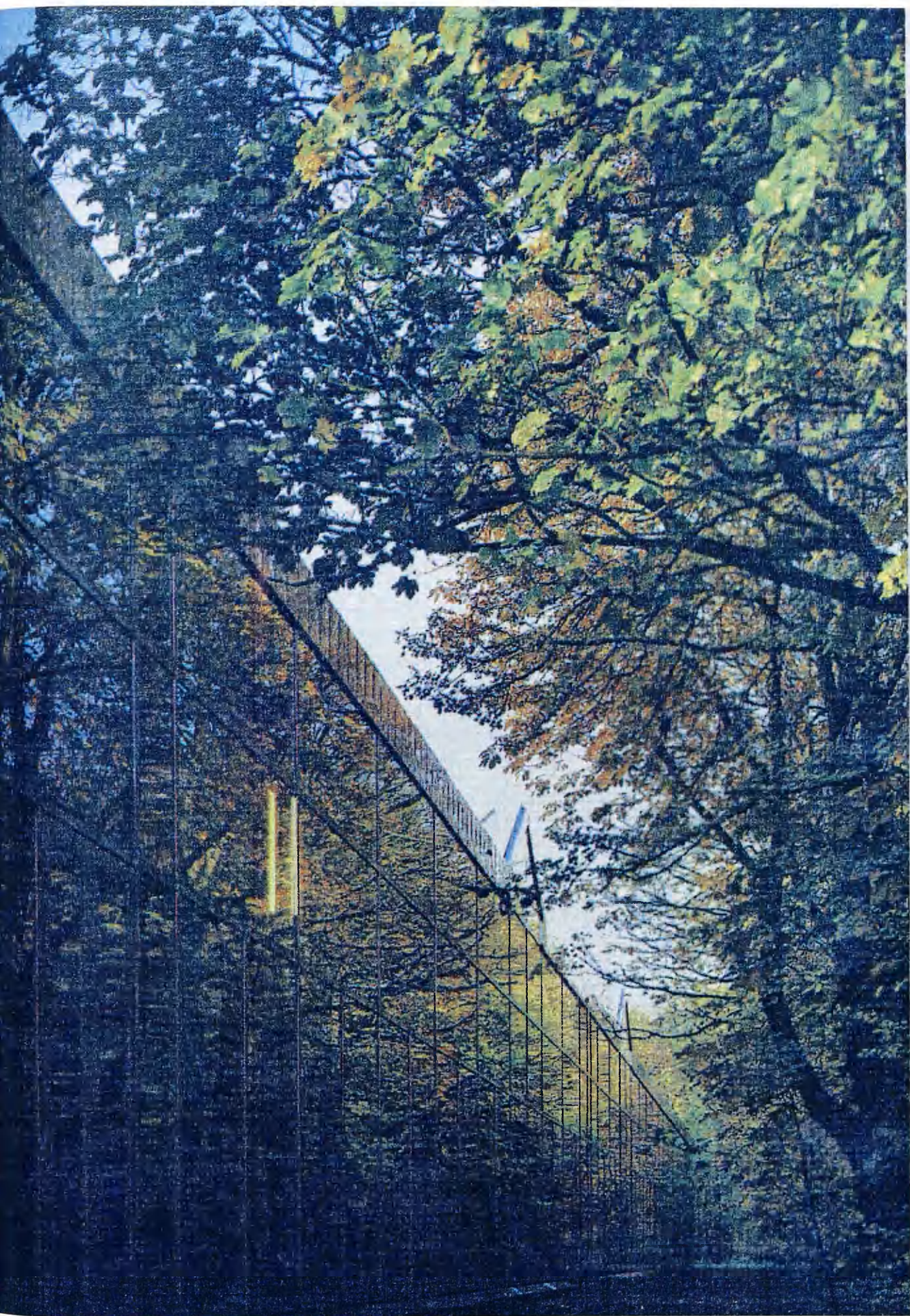
The relocation of expensive offices from the high land values of Wall Street to the then low values of the depressed Mid Town was a masterstroke which the scale of the entrepreneur ensured would succeed and the accumulative effect of this has altered

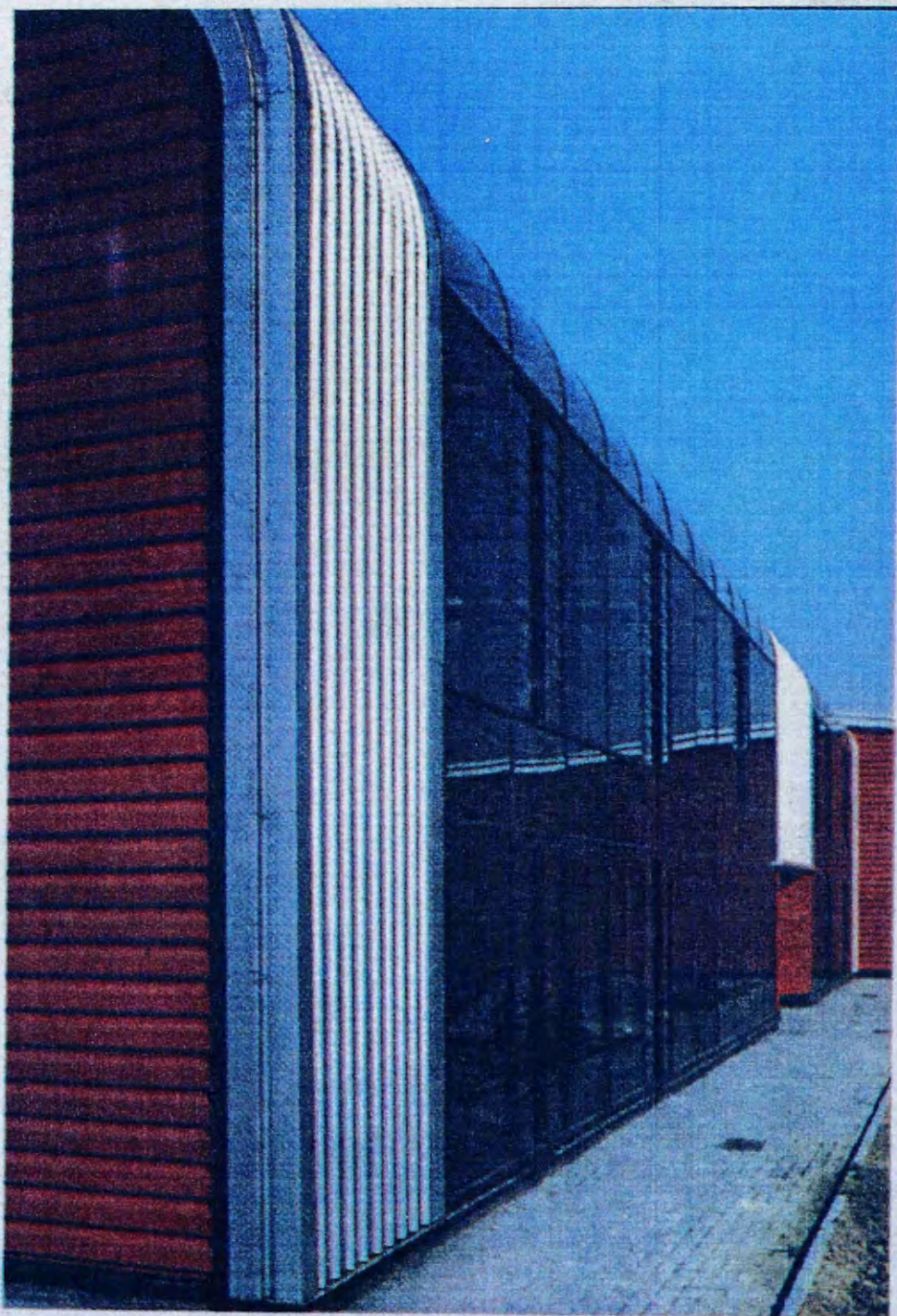
the shape of Manhattan.

Finally, the excellent architects chosen (Harrison and Abramovitz) have given the centre of world renown symbolism. Obviously not all projects have the vision and financial backing that the Rockefeller Centre had, but from it, one can see the full potential for both built environment change and the massive profits that Rockefeller made.

We do accept there are financial situations where quality design will be given no opportunity to emerge. However, as soon as a decision is made to exploit the situation to the full, then design will show its potential and in most circumstances the quality of the design will improve the potential for profit.

As one moves through the four stages, mentioned above, as quality rises the potential for profit rises and the potential for accumulative gain rises, but the risk increases and the capital input increases. Putting figures on these stages can only be given on the evidence to date and must remain tentative and relate to the present situation, the unpredictability of the knock-on effect is best summed up by the unprompted remark of one hard nosed developer, *"the thing that has done more for property values in Glasgow over the last ten years was the building of the Burrell Museum"* .





FRONT COVER: 1. Office Development Finsbury Avenue London Architects: ARUP Associates (A.R. May 1985)
 2. Office Development Park Avenue New York Architect: Helmut Sahn. (The New York Times May 11 1986).

BACK COVER: 1. The Burrell Building Glasgow. Architects Barry Gasson (A. R. Feb 1986).
 2. Bleasdale Court Clydebank Architects: Scottish Development Agency.



APPENDIX 1

Although not strictly related to the question posed, we would like to record what appears to us as two significant situations in the organisation of design that have the effect of raising the likelihood that a quality environment will be achieved.

Mention was commonly made of the misunderstandings and lack of communication that bedevilled the development process that involves so many people whose training, outlook and work methods vary so greatly. Our two examples go some way to eliminating this.

- a) Bruce Gilbreth, an architect based in London, has found a niche in the market as a co-ordinator. He is retained by developers to oversee entire projects from inception to final details. His role is to make certain that the various groups work towards the same goal and that there are no "cracks" between the various professional organisation's work. As he earns a very respectable living at this, one must assume that his service is appreciated.
- b) Conran Roche exhibits a professional organisation that overcomes these same problems in a more dynamic and creative way. Their organisation contains all the specialist fields where they have found difficulties obtaining a creative and innovative approach. This means that they have in-house the financial organisation, as they find that the normal commercial estate agents did not bother to understand their aims and, therefore, gave poor service. They do not, at present, employ engineers, quantity surveyors and accountancy, as they have had no problems with buying in a satisfactory service.

The effect of this organisational chain is that the designer is brought back into balance with finance allowing a newly realised design potential to be considered even where

this entailed an increase in capital outlay—provided that the changes were considered to increase profit. This completes the design finance feedback loop; they were the only organisation we found which had achieved this. It was considered a major advance by both the design and financial teams, particularly in terms of increased commitment of all parties.

This approach contrasts greatly with the majority of developers who consider the initially worked out financial equation was no business of their design team, and indeed that "these figures are written in stone".

NOTES

1. Property and Industrial Development, Hutchinsons Ltd., London '87.
2. For better or worse "Dallas" and similar TV series were monitored as building "trend-setters".
3. Jones Lang & Wootton interview—it is interesting to note that investment in buildings is not universal, e.g. in West Germany commonly this is better achieved with blue chip companies.
4. Interest rate changes, or market saturation to mention just a couple.
5. Mainly based on interviews with Windex Ltd., and Stewart McColl Design.
6. Mainly based on interviews with Conran Roche Ltd., and Nick Groves Raines, Architect/Developer.
7. Mainly based on interviews with DCI Ltd., Glasgow, J.L.W., Nick Groves Raines and London Metropolitan.
8. Attributed to Hilton Hotels development philosophy.
9. London Docklands is in the process of achieving this.
10. DCI Ltd's North Gate, Glasgow, is attempting this.
11. Jones Lang Wootton mentioned a failure due to misjudging the market.
12. Example studies included Swansea T.C., Docklands and Butlers Wharf London, by Conran Roche, in fact no failures were encountered.
13. Based on interviews with Bruce Gilbreth and Thamesmead Ltd.
14. Mainly based on interviews with IBM Winchester.
15. Woolworth Stores can be seen to have slipped from their gilded Manhattan Tower to their tawdry shops of today.
16. The figure of 30% has been quoted.
17. Interestingly, Fitch & Co and Stewart McColl Design and Conran Roche considered that a considerable part of their success lay in helping clients to form the brief.

9. INTERVIEW TRANSCRIPTS

5.	Mr J Forbes	Nick Groves Raines	Edinburgh
8.	Mr Lapsey	Town & City	Glasgow
9.	Mr Larkin	Jones Lang Wootton	London
10.	Mr P Bell	Conran Roche	London
11.	Mr C Randell	Roger Malcolm Homes	London
12.	Mr G Watson Mr C Chanin	Stuart McColl Design	London
13.	Mr J Harrison Mr Anders	Fitch & Co	London
15.	Mr B Gilbreth	Bruce Gilbreth Architects	London
17.	Mr P Gusack	Fitch & Co	London
18.	Mr J McDonald	British Linen Bank	Glasgow
19.	Mr Henderson	Clydesdale Bank	Glasgow
20.	Mr L E Wingrove	Mobil Exploration Ltd	London
21.	Mr L Davis	Thamesmead Town	Thamesmead
22.	Mr Stockdale	I.B.M. Winchester	London

INTERVIEW WITH MR JOHN FORBES, NICK GROVES RAINES, EDINBURGH

Question

You are architects that have moved into development. Do you feel that you have a different attitude to developments than the standard commercial developer?

Answer

Yes, we certainly have. We became developers when the RIBA changed the rules governing architects commercial interests. We saw in our role as architects that projects are being lost as a result of negative attitudes from Housing Association and Developers. It seemed that the normal mix of Estate Agents, Valuers and the like were not prepared to take a risk, thus to demonstrate that buildings could be saved and transformed we became architect/developers.

Question

Where did you raise the money for the early ventures?

Answer

The Bank, we simply mortgaged the Practice but we had to pay high interest rates.

Question

What about professional indemnity?

Answer

With difficulty, but you must remember we are designing and selling. No insurance can possibly cover you if the product will not sell, only for gross negligence.

Question

Have you in your position as developer and architect tried to use other forms of contracting than the standard traditional competitive tender?

Answer

Yes, on the early ones we used separate trade contracts but found it overburdened us with administrative work. Indeed, any saving we made was at our expense.

Question

How do you attack the problem of short fall in the financial package?

Answer

Now you are at the heart of the matter. When we put a financial package together and present it, the High Street Bank and indeed the Merchant Bank, look at it and advice from Estate Agents and marketing people and all the rest. Now they normally give a negative view and produced a pessimistic view of yield and rental growth and as they are supposed to be professionals the Bank listens to them and they advise always on the safe side, with the result you are left with a shortfall. It is here we seek Government aid, Scottish Development Agency Grant or Local Authority help. The problem here is that while the Scottish Development Agency is willing to help, and we are quite happy with their system of Grants, in that they try to recover some of the Grant monies if the project is profitable but the real problem is that there is a horrific bureaucratic system to fight through which is not only heart breaking but time consuming also. It is this lead in time, that the Development Agency should really look at. The problem is their hierarchy, and that there seems to be no criteria about what information they require about a project. One officer will say one thing and another something else. What a small firm needs is to be told this project has our support in principle but we require this information.

Question

How do you deal with the problem of wearing two hats?

Answer

Well when we are working with another developer as we are on our Speirs Wharf project it is just like working with a client and there is no real conflict. When we have total control we are free to do as we please but within the financial package previously worked out, thus it becomes similar to working with a Housing Association or client.

Question

Who works out the financial package, is it entirely architects?

Answer

Yes, but we seek the advice of financial people and use the services of a Quantity Surveyor to help us bring a financial package together.

Question

How do you judge your financial package which must be right no matter how good a design is?

Answer

Yes, we are often told that this won't work but we believe it is vision and foresight and this has to be used to convince other people. I am convinced only an Architect can do this, it is in his training.

Question

O.K. but at Speirs Wharf what market are you aiming at?

Answer

Well, we had to pay for a Market Analysis. The Analysis showed that over the next decade there will be a need for houses for families with no children and that is the market we are aiming for. However, it does raise an interesting point, if the market research had proved that no demand existed what would happen to those A and B listed buildings. I don't believe in keeping all buildings but where there is a strong historical case we should do our best.

Question

Coming back to attitude, what would you say was the major difference between you and other developers?

Answer

Well, we think of buildings first, we look at buildings as Architects first looking for possibilities to save and transform, so first we see if something will work and then look at the possibility of a Financial Package; Developers first look at a package.

Question

Until now you have been concerned with refurbishment of existing buildings, have you tried as developers, completely new buildings?

Answer

No, we would like to but when sites become available we find we cannot compete with the large machine like National Builders, who are geared up for speed. That is the first point. The second is that because of their size they can afford more for the site. We have tried the Architect Developer competition but as yet we have not been successful. An interesting

point is that as Architect Developers we start from the site and say what we can sell the product for at the end of the day, this establishes a building cost. So we design a building to meet that cost. Some we have met, start from the premise of getting a contractor, in the last competition the winners flats had to sell at £120,000 each in Glasgow.

INTERVIEW WITH MR LAPSLEY, TOWN & CITY, GLASGOW

Question

Is design a factor at the valuation stage in the design process?

Answer

Yes, design is thought of, we have to know how much space we can put on site.

Question

But that thought is more about capacity and not about quality?

Answer

No, the amount of usable space has to be contained in a good design.

Question

What is good design?

Answer

Good design is a building which in appearance is pleasant and where we have full use of usable space. We employ Architects to tell us what is the best use of the site in terms of usable space.

Question

Turning to your latest speculative office building in Glasgow, at what stage did you bring an Architect in?

Answer

Oh, right at the beginning we use our own experience about how best the site can be used but we like to have Architects in early so that we can begin to build a brief.

Question

What method did you use to select your Architect?

Answer

On this one we inherited him with the site. He was obviously competent. It is important that our Architects can work as part of a team. The great problem we find with some Architects is that it becomes their building and they begin to thrust it onto us. It has to be team work.

Question

What about other methods?

Answer

Yes, we have competitions. The problem really is that it is an on cost for everyone. We in common with many others today employ consultants in a no job, no fee basis. What we find is that some consultants from day one see themselves as part of our team and are prepared to accept that we loose more than we win. There are consultants who want money in their hands from day one but we tend to work with those committed to the team effort.

Question

Would you involve the Architect in the Financial Package?

Answer

No, the Financial Package is ours. The Architect has no risk element.

Question.

Yes, but if he has no fee then surely there is some risk?

Answer

Yes, but I do not believe that many Architects would get involved. They don't have the Finance to do it. Most are small practices who have to satisfy a Bank Manager; no the Financial Package is solely ours.

Question

Do you feel that your Architects understand the Financial Package?

Answer

Not all of them, some do display a real capacity for the Financial side of a project.

Question

Do you think that Architects should learn about Finance?

Answer

Yes, there can be an attitude of "My Building", my being the Architect, and the Architect loses sight of costs and that's where the Quantity Surveyor comes in, so that we can have cost control.

Question

But, on another hand do you think Architects understand the Financial brief, here one is thinking of Yield, Rental Growth?

Answer

Well, what we do is from a very early stage give the Architect a figure, indeed as far as we are concerned that figure is written in stone. But do remember we are prepared to investigate this figure in the initial stage: however once committed we expect the project to go forward on this figure and he can make his decision about materials etc. within the budget.

Question

Is the quality of design thought about at this initial stage?

Answer

Oh yes. It comes from asking the right questions from the Architect what specification can we achieve from this figure.

Question

You are a property firm with your own Portfolio of buildings?

Answer

Yes. This office is set up as a management firm. Town & City Development is based in London but recently the division has become a little blurred. We are responsible for the refurbishment and upgrading of the existing Portfolio but with our local knowledge we have been very much involved with new developments in the city. The London office develops larger projects. P & O are our parent firm, they really decide how much money is invested in any particular area as part of their overall investment structure.

Question

You do not have to look for money for investment?

Answer

Yes you are right, P & O are our Bankers.

Question

What about market research?

Answer

No, we believe that we know the local market well, after all we are local. However, if we need any market information we go to the larger agencies, but we would want them to commit themselves in writing.

Question

Yes, but do you do any of your own?

Answer

Yes we keep records of transactions and we know the value of any site in the city and keep them on file. The whole field is so diverse, so many factors have to come together from the national economy downwards.

Question

Do you think that the large institutions have a kind of national grid of investment values?

Answer

No I do not think so, the investment in terms of rental growth is about supply and demand. The picture just now makes one believe there will be a shortage around 1990 thus one would feel rents may rise. We have committed ourselves to something in the area of £10m of new development in the city.

Question

Corporate image has had a growing importance today, do you think it has a place in speculative office building?

Answer

Yes, image is important not just image for the proposed tenant but his image to his clients is important. We have always believed in a quality entrance hall. Double height entrance has always been a feature in our buildings. Lifts and toilets are very important in the overall design, it is the first service a prospective tenant will look at.

Question

What about the external appearance?

Answer

Of course this is important, our clients are looking for something that catches the eye. It is important from an Architectural point of view too, to build something of quality as it is going to sit there a long time. It is a cost and income lead thing, but at the end of the day, if you build something tacky you are not going to let it.

Question

Have you reached your expected rental on your latest project?

Answer

Yes, in fact we have improved on our original target.

Question

What brought you to this site?

Answer

Ah, we will not look at anything above Bath Street, in fact St Vincent Street upwards is a problem. Costly to build and people do not like walking up hill. This site is on the edge of the established office area but it is a good island site and we were free to build new. We were the market leaders in this area but others have now followed.

Question

A risk, you were prepared to accept a risk?

Answer

Yes, we knew it was but we felt that the size of the site and the opportunity to build new and the state of the market at that time. Very few new buildings were coming on stream and we knew we could provide new modern space at a rate much cheaper than other sites, in West George Street, or St Vincent Street behind certain Victorian facades. It was a unique opportunity to build. Now the whole area has opened up.

Question

You built the project in two phases, was it the same Contractor?

Answer

Yes but we did not go to competitive tender for both. Having completed the first we knew we had a good buildable building so we negotiated with the Contractor using phase one Bill of

Quantities as the base. We found it was a quick way to get the second phase moving and we have not found any problems with it.

Question

Was it cheaper?

Answer

Yes, and we believe we managed to achieve a higher market quality but we must remember the state of the construction market at the time, the Contractors at that time were desperate for work.

Question

As in all selling you have to market and promote your product. How much effort does the design team apply to this area?

Answer

Difficult to put to words but once a project begins and looks as if it will go ahead we have monthly policy meetings with every member of the team present. So the Architect and letting agent meet and can feed off one another. The letting agent is much closer to the user than either us as developers or indeed the Architect, because of this we believe he has much to offer and can pick up tenant needs say about lighting and internal finishes.

Question

It would seem that the letting agents fees are a source of complaints with some developers?

Answer

Well it's swings and roundabouts. If the building lets quickly we have over spent, however if not the agent has to work hard for his money.

Question

How do you feel about Architectural fees?

Answer

No complaints, we feel that if someone makes the effort to become part of the team the effort expended on the project often outweighs the fee value.

INTERVIEW WITH MR LARKIN OF JONES LANG WOOTON, LONDON

Question

One of the functions of the SDA would be to encourage the property values upwards in Scotland. Do you invest above the market value published in your literature and if so what reasons would lead you to invest above your own values?

Answer

Firstly we never build ourselves, we advise our clients. Our fundamental reason for advising a client to invest money would be our perception of growth and what return would be over a medium period of time. If we saw that rents were going to double in a particular area inside five years, yes we would advise a client that it would be a good investment, to achieve a good return but it is the market that dictates that value.

Question

If you were building say £1.00 over the usual rate what would you be putting into the building with the extra money being invested, or would the extra income that the building may achieve simply be a creaming off process?

Answer

We would be putting money into a new building to let at say £8.50 for a certain category of space, we would look at the market if there is a demand for higher quality of space, if so what would that rental be. Then there would be some sort of equation between that extra rental and the cost of creating it.

Question

Yes, but could you define higher quality?

Answer

In very general terms,—the top of the range in Office Building in the city at the moment is; air conditioning; sophisticated cable management; electrical power loading, capacity of running all one needs to run a modern office, but the city is catering for a rather particular body, the Financial Services body, but that generally becomes recognised as the sort of highest trend

and the best quality but with the extra rent you will build the best quality. It is relative to the market that it is in. If you go to Scunthorpe the quality will be very much lower.

Question

Do you agree with this quote from Design Magazine? "Good Design means Good Business"?

Answer

I do personally but I don't think the market necessarily does. I think the person who invented that phrase or something similar was Frank Pick of London Transport. Pick said in the Twenties or Thirties, "If the design of the system is of a particularly high quality then my passengers will be happier and they will use the system more and it will be a pleasure to travel rather than a chore". He went a long way to achieve that by employing the best Architects, concentrating on the graphics and finishes etc. The map of the system although it distorts the geography, is a model of clarity across the world. It is that sort of commitment to quality in design that does actually make things better. Now when you apply that to an office building well what is design, it is interior is it finishes? Design is simply an in word just now.

Question

Has your company any cases where they have a building sold only on design? Which have definitely been a success and others which have failed?

Answer

Take a failure, we had a building that was a house, indeed Clive of India lived there in the 1800's which was converted into offices and that failed as an initial letting- it took too long to achieve the number of required tenants and it did not work very well as an investment. Because of what it is, and how it was laid out and also that insufficient money was spent on it internally to bring it up to scratch, to cater for the sort of tenant that might well want to use it.

Question

So in that case you had hoped people would buy it for a kind of historical association?

Answer

No, we hoped they would buy it for where it was and for what it offered and what it offered was not good enough.

Question

But surely it offered rather grand interiors and decor?

Answer

Yes, but that was not what people wanted either although you can get away with that in times when there is a bull market but this one met with a bad market when people had the luxury of choice and are a bit more selective. So that I think it is a key thing to put into the context of design, the market forces. When the market forces are very strong, a tremendously high demand and very little supply, the design issue gets ignored or certainly takes second place but interestingly enough the Financial Industry over the last eighteen months has said, we know that but we will now look to much wider locations and ignore the confines of the city to get the right building.

Question

That is surprising as surely the investment in a building would be much longer than this attitude suggests?

Answer

This is the occupier.

Question

You mean one of your base problems is it does not let quickly enough?

Answer

Yes.

Question

But the other side of the equation is that you have to sell the building to the investors and what does design mean to them?

Answer

It brings us back to what design is. It is, I think, the right product for the tenant at that time, in its broadest terms it is the quantity of space in a building and its arrangement within that space. The floor plate; how the core is laid out; floor to ceiling heights.

Question

What about the building's life which comes back to quality?

Answer

Well, arguably we design buildings for too long. The early systems were based on hospital technology not recognising the fact that standards need not be quite so high and that the system would not need to last as long as everyone had expected. But the conventional industry; values without appreciation, there is not tax incentive to take this appreciation into account as there is in the United States; and the whole basis of valuation as an income stream is perpetual, if you add the freehold interest.

Question

Would you agree that rental growth is the only motive to invest in buildings?

Answer

Well the reason to invest in buildings is to achieve a rate of return better or equal to investing in gilts. Against the return of gilt you've got the lack of liquidity and the fact that return is that much less certain. There are two elements of return from a property, the running return, the rent and the rental growth, taken together ought to bring in more than the return of gilt. Let's say gilt is 12%, the running rent return is 5% then the expectation is the difference made up in rental growth over a period of time so it's a much longer term investment as well.

Question

For those sort of purposes you assume the building has a life of what?

Answer

No, the market valuation is based on an income stream that will flow forever.

Question

But office buildings unlike housing don't go on forever, they have a much shorter life. Indeed some offices of twenty years ago are quite difficult to get rid of?

Answer

Yes they are hardly ever let unless they have money put back into them or the lease changes because the tenant is prepared to take a full repair liability.

Question

This must take away a bit of the profit each time?

Answer

Yes. In the valuation exercise there is relatively little attention paid to that, in terms of predicting the cash input that has to be made. What changes is the multiplier, so that a Sixties office building a bit tired was sold when the market was flat two years ago for a return higher than the borrowing costs. The purchasers took the view that he can borrow money to buy it. The income will totally service the debt and then he has a building when the lease expires after a period of time. There was no counting what he was going to do with it then. You are right that office buildings last for 15-20 years, in fact some 10 year old buildings are coming down.

Question

The buildings are usually sold with the land?

Answer

Yes, and the value of the land is dependent on what it is and where it is etc. To look at it very crudely, an investment in the city at let's say £50 a foot and 5% return is around £250 a foot. The building costs would be £100 per foot plus add on say £50 per foot, say £150 so the site cost is the difference between them.

Question

When you are selling the building there is a need to be somewhere near the middle of the market?

Answer

Yes, that is right but we have a building where the tenant is moving out of now and the demand for the building has been created by the lack of supply and not "Oh, isn't this a wonderful glass box and what a monument to my ego", and that monument to the ego is where the architectural profession has had its crisis over the last few years but it is beginning to change. In the past it has been very much concerned about "I am building a monument to the ego" or being dominated by the developer and creating something at a relatively cheap cost or relatively quick and efficient to build and sacrifice the design—look at all the Sixties buildings. The Architects in my view can either, very simply, design extremely good buildings and not manage a contract or vice versa. Whereas before, take Lutyens or someone like that

who designed beautiful buildings for its time and is still beautiful and ran a contract with complete precision, today that does not seem possible.

Question

Yes, but did it get a reasonable rent?

Answer

Reasonably good but the market was limited and we had to find the right client. It is perceived that everyone wants the standard 45 foot wide space, well the Ministry like it.

Question

Why does the financial market not move to say Glasgow?

Answer

Image. Glasgow, although changing, the S.D.A. and Glasgow Action are doing remarkable things, still has for many that old tired image of outdated industry and workforce and that stops people moving and also the climate.

Question

Do you think the United States habit of providing base building where tenant has the fitting out to do is a good approach?

Answer

It is happening here but as I understand the US market the concept of building is design and build, so the Architect will create the building in drawing and written language and then tells the builder to do it. The builder then does all the working drawings and runs the contract and produces the building. The Architect has little involvement during the process. The contractor will dress the common service areas and the nett lettable area would be left as a shell. The tenant then fits it out to his requirements paid for to a degree and subject to negotiation by the owner. Now we traditionally don't do that, for why (1) is the perception that everyone wants to move yesterday rather than tomorrow. No-one has the luxury of time. (2) On rent negotiations we like to compare apples with apples so at the finish everyone has similar standards. Maybe in the United States there are tax breaks to encourage this, but it is coming here because people like me are seeing tenants spending time and money throwing out what has been done because it was not good enough or the wrong thing so it is giving the

tenant flexibility. But it comes back to our contracting industry. It is very difficult and complicated to have two contracts on the site at the same time. So it is much easier to say to a tenant all you have to do is put your partitions in and you have an office. But it is coming and being led by the Americans.

Question

Business Parks are a new venture in this country which your Company have been involved with. Do you think that they have been designed to catch the markets eye?

Answer

Perhaps it has to do with site and its function. They need infrastructure, people have to buy things at lunch time, so you need to put all that sort of thing in and the quality of life which is becoming more important, so a Golf Course appears, Riding Stables appear, a Lake to look at and all give added value.

Question .

Well design does act as a pulling agent but it can act against location.

Answer

Yes, the rent in our Business Park is 25% more than other Business Parks. The developer is getting his reward for putting the extra in and saying this is the place to be.

Question

Does design help in getting new projects on new locations off the market?

Answer

Yes, you mean places like Milton Keynes which was the right product for the right domain. Another was Croydon built in the Sixties and very successful but now coming to the end of its life. The buildings are the wrong size and shape, limited parking, so people are saying let's go out along the M25 to a green field location and those areas overtake Croydon for rent.

Question

Do you have any view on why there is a sudden explosion in a location? Is it that someone just takes a risk? Why does Windsor take off and not Red Hill?

Answer

Yes. Although Windsor was on the right side of town near the airport, high quality area, good

schools, housing excellent. Also the silly fact is where the boss lives probably dictates where he wants his factory.

Question

Do you feel design can ease the risk factor?

Answer

It helps but it cannot totally overcome. You can put up with the world's best building in a location no-one wanted to go, you would end up with an empty building, look at some of the new towns where good buildings have appeared but not been taken up.

Question

You seem to be saying that what most clients want is a well planned building and a suitable tenancy agreement?

Answer

Yes, and they do not have an awful lot of choice because the demand relative to supply is so high and the vacancy rate so low.

Question

If the market does not like design or rather is not interested in design, what then is it interested in?

Answer

Well it is much more interested in where the building is.

Question

Location is still the dominant factor?

Answer

Yes, Harrold Sandler said three years ago, location, location, location, but I actually think that is changing now. On a scale of 3, I would say that 1.5 to 2 is location and the remainder building. But what is design?—such a broad subject. Some tenants will want a high corporate identity and others not at all, others want a well managed building and have no responsibility of running a building at all but prepared to see the landlord do that and have someone to shoot at.

Question

Some firms believe that to attract the best staff high salaries were not enough and that they had to provide a good environment as well; the question is why are some doing this and not everyone?

Answer

If you look at Major Consumers who have built their own buildings, and there are a relative few examples, they are all slightly odd ball buildings which are not conventional. The Wiggan Teape building you mention was not easy to let. We let it to I.B.M. but there are so many complexities with it, gardens to keep, air condition was worrying and the actual utilisation of the space.

INTERVIEW WITH MR R PELL, CONRAN ROCHE, LONDON

Question

The quality of the final project is usually dictated by those who control the money and as you act as developers do you have to raise money or do you actually have it yourself?

Answer

We have to raise the money ourselves. However, we have a thing called OPM, other people's money, which we are very keen on using. The way we operate when we are being developers or part developers is that we normally make up a consortia or a group of investors who want to participate in a project and we put in a small amount of money. They put in a large amount of money and we end up with a client on which we are represented or we are shareholders, so that enables Conran Roche then to be part client and the lead consultant so that we can control the quality of the development at different levels which we find changes the basic relationship between client and consultant from that which we believe most other people have got.

Question

Are you actually choosing the people who you ask to join a project?

Answer

Very much so.

Question

So that is very much the opposite of the usual, indeed you are the client to these people?

Answer

When we first started out on our first development it was with straightforward Institutional money, a Pension Fund, and it was no different from the sort of development which the standard developer would do, and we learn about all the pitfalls; the way we have to end up being represented by several lots of agents, the fund was represented by several lots of agents and we had a very tight financial agreement which meant that as soon as there were issues about quality and about what specification should be; really we had minimum influence on that because the financial agreement had already been struck and once you disturb that

you were then picking away at the edge of it the whole time. You may well look if you do this you will make a higher quality product that will be more valuable product. Well fine, they got the value and we got the cost. So we felt having got through it, that a very unequal type of negotiation existed, and we were not satisfied by the product that came out of it, nor did we make very much money. I believe in the end the Pension Fund got a good product and will make a lot of money, we were captivated by how much money they would make every time the value was increased or whatever, that came out of our share of the profits and not out of theirs, and that is a fairly typical Developer-Pension Fund relationship and we did not like that all all, also it was a fairly standard product, just a set of industrial units with fairly high office content.

When we came to do something much more our style. Butlers Wharf which is 11 acres just south of Tower Bridge, opposite St Catherine's Dock, we identified that site as having some potential. Different from the previous owners who wanted to remove all the buildings and rebuild. We saw it as a mixed use purpose, partly refurbishment, partly new build, with all kinds of different uses in it. Residential, Office, Retailing, Museum, Hotels, Student Residence. It has really got everything you really want to see in the city. We approached a group of wealthy individuals through our own Chairman and we set up a separate company called Butlers Wharf Company which bought the site and then retained Conran Roche as the lead Consultants.

Question

You knew all these investors?

Answer

Yes, they were either people we knew personally or people who we were given personal introduction to.

Question

All interested in design, not just to make money?

Answer

The two best known, apart from Terrance Conran, are Jacob Rothschild and Sir Alexander McAlpine. Now McAlpine are interested in the construction and Rothschild is interested in money and Terrance is interested in what we will produce.

Question

These people knew you would approach them with a non-typical attitude to development?

Answer

It is non-typical but I should make it clear that the people involved expect substantial rates of return and they are private investors but they make it very clear it is their money that we are using and they expect us to be as responsible, if not more responsible, for the way that it is spent and the rate of return. We do go for very substantial rates of return on the development.

Question

Having a financial stake in the development, do you find that it gains you a little more respect?

Answer

I suspect so because quite often in Butlers Wharf, Fred Roche sits on the Board, some other ventures we are doing are joint ventures with the Heron Group who again are not well known for their interest in design but they have got very substantial financial influence and I deal with those relationships. Quite often we will sit here with the Chairman of Heron and he'll say, "Look, this is our project—come on Bob you have a share". Now Heron has the lion's share but we talk about it as if we were jointly responsible for that money, which we are, and Conran Roche will be substantially rewarded if that is a profitable development, much more than anything to do with fees. So I have a strong financial motivation to make it work and they tend to treat me as you would treat a minority partner. It is mostly their money so they are not going to let me have the final say but we sit round the Board table.

Question

What if one went badly wrong, would you go under?

Answer

Conran Roche would but some projects are separate Companies, smaller projects are done through Conran Roche and some of the agreements we have to protect us from the down side so that the investors take the lion's share of the risk. This applies to a number of projects, so we don't think (getting investors) it is as difficult as people think it is, because a lot of money they are providing, our investors, quite often is borrowed from Banks and in many cases it's a

limited recourse funding, so they are not exposed that much. In the end what everybody looks at is the project and everybody has got some sort of stake. Charges on the land or whatever with quite complicated structure of legal recourse if it goes wrong but normally what it boils down to is, is this project going to be rescuable at some stage and we have normally gone into situations where other people might have shied away from and not taken such a strong view of the potential. Butlers Wharf, Newcrane Wharf another, this one will be about £30m when it is built out. Again a mixed used development and again a mixture of refurbishment and new build. The Bank looked at all our appraisals. We provide all the financial information; the Bank then takes a view on how much risk it is going to take as against people who are providing the guarantee.

Question

It does surprise us that it nearly always is the Bank that takes the risk and not the Institutional money. Do you think there is a kind of parting in development, indeed what you have been describing is only a recent thing?

Answer

I think when we set up Butlers Wharf four years ago it was really quite unusual. I know Banks were moving in but normally preferred the individuals wealth is used partly to guarantee but now it is hardly a risk at all because the view of the market is now that the underlying value of the project is so substantial that the Banks are quite happy with that, rather than the individuals guarantee so we have shifted it if you like through the lifetime of the project from being personal guarantee to project guarantees. Now the Banks keep knocking on our door and say got any more, and the people are lending money on Butlers Wharf, we have recently agreed with them to do a substantial office development at Butlers Wharf with 60,000 square feet which might cost £50m and yes Bank funding, incredible, indeed without recourse to the profits of the rest of the development. So we can separate out a piece to look at or whatever without putting at risk the rest of Butlers Wharf. We have found that funding is not a problem but this really is predominant in London and the South East and we are not sure whether that same level of funding will be available north of the border or indeed in the outlying regions.

Question

If money is not the problem, why does Glasgow have difficulty in attracting London money but somehow attracts Japanese money?

Answer

The Japanese are prepared to accept a lower rate of return.

Question

Yes, but could we persuade Conran to put his money into Glasgow or is the case that only local people in whatever area are prepared to put money into the local market?

Answer

The other part of our question is that we do a lot of consultancy for people like the S.D.A., W.B.A., and so on and we have just got a Commission for the New Oak Development Corporation in Tyne and Wear and in the small print we are required to open an office there for the duration of the project, so we are taking that, as an opportunity to investigate that city in much more depth than we can when we are flying back and forward. As a company we are extremely interested in moving out of the South East, our biggest concern is that there are so many places that you could go but you may just end up skimming across the surface and you don't really get into the culture and get to know the people who you are going to work with, so we are trying to find two or three places out of the South East where we will commit resources for a year or so, to see whether we can put projects together which will be in our style and compatible with what we are doing in the South East. Now there is no reason why one of these should not be in Scotland. We have worked in Scotland.

Question

You have involved yourselves in the production of other people's design?

Answer

That was a group of Academics from Oxford Polytechnic who won a competition and were looking for backers and we set up a consortium which is ourselves and Heron and we are doing all the working drawings and so on. That is the only one we have done like that and I am not sure we would choose to do another one, because our reputation goes on what we design and how we implement it and all the rest. Now it is less exciting to us if someone else

has done all the creative bit. Given we are not desperate for work we like to choose situations where we can make the creative work.

Question

That is interesting, is that where you see your reputation?

Answer

Yes, and we do make good profits. We were recently talking to some outside Consultants about our Company and they said, "You are an Architectural practice?" Well we are, we employ a lot of Architects and we do commissions for external people. Most of our work is either for ourselves or Consortia which we are part, but most other Architects would say—well Conran Roche are not really Architects, they are not a Partnership, they are a Limited Company and they are tainted by all this development, so they are money orientated developers, some look at us and say they are designers, not hard money men, but keep looking at other aspects of the thing. So we do not fall into either camp using those simplicity models, however, we are completely straddling the models and our reputation, we believe, to the outside world must be three parts:-

1. What it looks like and the quality of the product.
2. That we are making profit and our backers are making profit.
3. That we can actually deliver things when and where we say we can.

You could make money by designing beautiful things but they only happen once in a blue moon. We would like in three or four years time people to say, yes, Conran Roche and their backers; they delivered that, indeed a whole range of projects which when people go to see say, this is good, and the Company have satisfied the Investors behind us.

Question

Do you know if you make better profit than those who follow the standard route?

Answer

Well, we don't go with the same people. It's difficult, I would hazard a guess that we do make better profit. We as an organisation are growing fast, we have more people approaching us with project ideas than we can cope with. The reason I think we make more money, terribly

difficult to do comparisons, is that where somebody would set a budget for a building so that a figure is set for the building, thus you get this type of bathroom, this type of kitchen, this type of finish and that is all you can afford. What we think is if you supply a building which is very well finished and has a higher level of fittings, a higher quality of materials and it costs a bit more money, then you will actually make more profit which will lift you out of that market, put you in the next market. People will pay more money for that and you will make more profit. But that is an act of faith, I cannot prove that and when I look at a housing scheme on the river where we spent more money on this than the person that has built the next one, but we have made more profit and someone will say, 'Ah but you were in a rising market so that does not prove anything.

Question

But surely as you move up the market the smaller it becomes?

Answer

Yes, but we are not putting gold taps or trying to sell million pound apartments. We are producing buildings which we think are in the main market but they are better quality and the people who buy them will be those that say yes it cost £5,000 more—it cost £175,000 rather than £170,000 for a two bedroom flat on the river and that one was design by Conran Roche. You can go round it and grab hold of the handle and it doesn't come off and you know, indeed you can feel, that the thing is better quality; the rooms are bigger too. That sort of thing from the chap down the road; well how you tune that pricing can be enough to make more profit than the next chap.

Question

Do you find that your Architects understand the financial brief?

Answer

We have lots of different professions here, we have got Accountants, Development Managers, Quantity Surveyors, Planners, there is a lot of people as well as Architects and on any one project there will be a team of people working and in addition to the project Architect and all his team, we will also have people from those other professions who are involved, so I wouldn't expect the project Architect to go out and have funding discussion. Certainly he

would know of it. He also knows that if there is going to be an argument about costs he knows that his view will be listened to so he does get a very different decision out of us than the one he would get out of the usual developer but he does become more sensitive about costs, but not as when people describe Architects as commercial, what they means is they know how to cut it and save money and if we say it will be built for £100 a square foot that is what the thing is built for. They deliver that. Now I am not after people to say that about us, I would much rather they said fantastic building and we made our money. And at that point in the development process when we are not sure that the cost appraisal was going to be right but came good in the end. I would be prepared to say to the end that quality matters.

Question

Who is involved in producing the package in any of your mixed uses projects, is it inspired guesswork?

Answer

A lot of people get involved in working out the mix of a scheme and they can be from all different professional backgrounds and quite typical people go away for two or three days somewhere.

Question

Do you select a team for a project and send them all away to work out their relationships?

Answer

Yes, we have a project room on the top floor and an office in Milton Keynes and that tends to be a good place to send people for a good solid burst on a project where they won't be called out for a meeting or telephone. We try and create a sort of project atmosphere.

Question

What about Agency fees?

Answer

We are coming to the view that we would rather do a lot of it ourselves. Butlers Wharf—we are now setting up our own Sales and Marketing Team as well as our own Management Team so that within a year or so when people approach Conrañ Roche, Butlers Wharf, we will be able to say we can help you find the money, design the building, project, manage it, deliver it, but we

will also look after it and in some cases retain it in portfolio or retain part of it but we will also do the marketing. We get very involved with all the brochures and the literature because our name is on it. We would feel very concerned if someone just came in and said our brochure is going to be whatever but it isn't how we would wish our Company to be represented, so we get very involved in that and we are going to have our own Sales Staff, design our own Show Flats, Sales Office, buy the furniture and we decide how it is going to be run and at Butlers Wharf all the staff there will be our own, whereas at Newcrane Wharf we design everything but the staff were not ours.

Question

Is that because you are dissatisfied by the services or just irritated by the system?

Answer

It is very expensive and I do not think you get the commitment. It's really a people business and there are some individuals in the agencies world who are absolutely excellent and we always go back to those individuals but unfortunately when they change Company you get into a right mess because you try to move with him etc. and that gets messy. In the end we decided we would much rather have one or two of these people on our own staff.

Question

You seem to be quite happy to spread yourselves through many specialisations?

Answer

Our whole motivation is to be an interdisciplinary and multi-professional team and we have Management Consultants working with us to improve our team work. The whole ethos of the Company is to have different professions working together. There are lots of things we wouldn't do. We wouldn't sell quantity surveying services, we don't have our own Engineers; we are happy to work with other practices so we do draw the line at what we want in-house. The theory is we can only have in-house the things we do very well, we can't compete with really good Structure Engineers and good Quantity Surveyors but I think we can compete with Marketing and Sales people.

Question

The interdisciplinary team has been around for a long time but it was with those professions you

have just rejected, and you are linking the whole process from land acquisition, design through to sales.

Answer

Our backers will not really mind where the Engineer comes from but he will be concerned if the things get sold or not, or how well it gets sold. Indeed how well it is looked after is going to be an increasing problem because the developer who has got a Company that can meet in the back of a London taxi who comes in and disappears just as quick. Who provides for the long term after care of the building; who manages the public facilities within it; who takes the longer view and puts a few shops in here. Who is going to take that long term view to make all these Departments work. You can't do it if you are going to clear off in two years time.

Question

The question of a building's life, we have been told that some office blocks stand as little as ten years. Do you have any views on the life of your buildings?

Answer

A lot longer than fifteen years. With residential it is very different, you obviously take a long term view and you accept that certain parts of the building will be re-fitted every few years because of fashion. I am aware that goes on but I am a bit cynical about it because I suspect it only happens at the margin. You get a few very well publicised cases of that and it may be to do with the inadequacy of the building. I suspect it could just be the sheer financial pressure you get on a particular site and if its on the edge of the city or in the city where people were taking the most outlandish views on values, especially when they have Japanese money behind them their yields are so low, in which case you can afford to take it down and it does not matter if the buildings are good, bad or useless.

INTERVIEW WITH MR C RANDELL, ROGER MALCOLM HOMES, LONDON

Question

Can you tell me a little about your Company?

Answer

The Company was formed by two brothers around 1930-1933 to develop and build homes in the general North West area of London and slowly they built up until they sold out in the Seventies. They sold to a Property Company who really didn't know what to do with the firm, which ended in a management buy out. They have experienced so much success that they have gone public—April 1987.

Question

So you develop houses?

Answer

Yes, traditionally we were a green field housebuilder with our own standard house types but as the Company has expanded over the last years it has got more and more involved in London; indeed we are moving our offices to Dockland itself.

Question

Your Company follows the traditional Development process?

Answer

Yes we do but we are on the look out for land all the time. Although not in London, as we have 8.5 acres in docklands. Millwall Wharf we expect 300 units plus over the next 4 to 5 years. Greenland Dock in Surrey Dock and the Architects there are Price and Cullen, and Clippers Quay in the Isle of Dogs.

Question

How do you select your Architects?

Answer

Track record. We keep up to date with Trade Literature and are informed about who is doing what so that is one way but sometimes you can simply be put together. Thamesmead offered a site on a fixed price but the developer had to put a team together and submit his team for

approval and then his design. The project was going to win on design alone, so with Price, Low and Cullen we submitted and won. Again the same Authority had another plot for development and they actually suggested the Architect we should use and again we won the competition. So keeping up to date with the design market, who is doing what and winning things, does matter and does pay off.

Question

You are saying that you used design to win the competition?

Answer

Certainly, in London especially the L.L.D.C. which has a very high profile for quality schemes.

Question

Would the same argument hold outside London?

Answer

It depends on the site if it is a fairly straight forward Green Field site then we have what we consider to be some nice standard house types which we can put on a site. Now we may use some goods down to earth outside Architects to do us a layout and things like that, so we get through the procedure. Often on projects like this you are simply bidding against other developers and it is straightforward land price that wins the site, particularly if it is a private seller so one can't even consider design as the seller is not going to listen. You can negotiate those sort of things with Development Corporations.

Question

Do you not think that by raising the standard of your design you would gain more profit and indeed raise the value of a good standard site?

Answer

I think that this is very debatable. In many ways at the end of the day you have got to convince the purchaser that what they are getting is worth the extra. We are doing a scheme at Hornchurch, big site, 37 acres. In some of the phasing we have done some Tudor elevations and things like that and we hope that is going to increase the selling price but also on a big site you want to be able to offer something different. Some will come along who want to live there but not with the same as everyone else so you are constantly trying to revamp the elevations

so that they are a little bit different. How much extra you would make is marginal, I think we are still looking at this question. Really what sells the house is the quality of the kitchen and bathroom and in fact this is our strong point.

Question

Yes I agree that people recognise quality but do you not think they also recognise quality in the external landscaping and appearance and to heighten this will also extend your own corporate image as a house builder?

Answer

Yes, I believe in that but it may be others are not so altruistic about that, in this Company and elsewhere. Unfortunately, especially in the South East, we are paying in Docklands in excess of £3m an acre for land, so we have to be careful.

Question

In terms of design the brief to the Architect is very important. How does this Company deal with this stage?

Answer

Indeed it is important and we do brief our Architects on the number of units we would expect to find on the site. But also we give a sales input so that they know what is selling in the particular area at that time. Now what is happening in London is that the market is stagnant and we are looking at the whole thing again very carefully and re-briefing the Architect to the new situation.

Question

The market has changed?

Answer

Well really it would appear that with the Stock Market fall there are a lot of people who no longer can afford the prices we were looking at and at the end of the day anyway we are going to reach saturation point. I think it comes down basically to competition between developers and their perception of what he can get away with. We all do Market Research. We all take a view on what the sales price is going to be. We all know what it cost to build. We all know what interest has to be paid to the Bank. So at the end of the day we all do our own residual

valuation but why we offer say £1m an acre and someone else offers £1.5m leaves us wondering, could be that they take a view of inflation, which is dangerous.

Question

What about access to cheaper money?

Answer

Yes, this could be true, especially with the bigger development firms but it does probably come down to number crushing but the big firm has volume, so low margins or if loss occurs, it can be offset against tax on another part of the Company, so they can gamble on much lower margins.

Question

Well for a Company like you surely design is the only thing you have to offer, as you can't compete with volume or finance?

Answer

That is right and that is what has won us quite a few schemes, the fact we have produced good design and we know our building costs but at the end of the day you are building something which is going to stand you in good stead. That was a Roger Malcolm scheme, yes I think long term design does pay dividends.

Question

You build in-house?

Answer

No, we organise. We have our own in-house Architect and he does one-off, alter standard houses, in fact re-looks at elevations. We have our own estimating section; Buying Department.

Question

Do you see yourself doing more in-house design?

Answer

Probably not in London but within the other sections although we do like to use outside Architects and we try to form good links with them and we have been successful with many of them.

Question

What about fees for Architects?

Answer

We don't usually pay the RIBA scale fees but we negotiate an arrangement with them and we are generally happy with the service we get from them; the odd disagreement of course, maybe we expect too much. Normally we get very good service and we do like to go back to tried and tested ones.

Question

Do you find Architects understand the financial problems?

Answer

Sometimes they don't, perhaps it is better to say that they are naive. The Architects profession has got to look at finance much more rigorously because ultimately if a client thinks that this guy is not in tune with me, and the fact that I have to make money, after all it is not the Architect who is paying interest to the Bank but the Company stands and falls by turnover margin etc. It is refreshing to find an Architect who understands this. (The long term effect could be that the project is lost).

STEWART McCOLL DESIGN

Question

It would seem that once you get standard money, institutional money involved there does seem that there is an enormous inhibition on design?

Answer

The closest we get to that is Local Authority, where there are very tight constraints and Committee approval on endless expenditure. We work a lot in Shopping Centre Development and usually there is an Institution somewhere, because even if it is a large or small Development Company they are still looking for institutional funding by the retail market, whilst not exactly the area you are talking about, is quite good, thermometer a gauge on which the general market is doing. We find the retail development market has changed quite dramatically for being purely a let's get a building up out of the ground, to let's make us something that catches the eye and not only attracts people once but retains them for a period of time and makes them feel so happy about that, they will come back and part with their money again, so the Developers are trying to encourage the Institutions to fund that way of thinking.

Question

Do they actually sell on to the Institutions?

Answer

Very often the Institutions are buying a complete design and build package.

Question

What do you think has caused that change?

Answer

The Consumer, primarily the fact that there is competition in the market place and even the Brent Cross's of the world which are regarded as high successful shopping are having to think about what happens when another batch opens on the M25, the competition in the market is causing all these people to look at their existing circumstances and constantly ask the question—why should anybody come and buy from me and why we say the retail market is a

good thermometer of that because Solicitors are even thinking that way nowadays. What is so special about me that makes me attractive to the market place. They can't just sit back and wait for people to move house, because they can go to the local Department Store and have it arranged there.

Question

Presumably the situation has exploded now as the High Street has disappeared and there are so many ways of retailing now?

Answer

Well, we would not put it as strong as that.

Question

But the High Street has lost its position of the only place to retail things?

Answer

There is an ongoing debate about the merits of shopping out of town. Is a Shopping Centre and out of town High Street—O.K. that is the way it is going but what do you finish up with, do you finish up with the same thing outside that you had before and I suppose talking about Shopping Centres, a quick word, is the High Street the right one, but I don't think the High Street has lost its position because Shopping Centres do not have the infrastructure; they don't have the facilities, the chemistry and everything else that goes into a High Street that makes the street a smashing place to be.

Question

You don't think we will end up with boxes in the countryside?

Answer

I hope sincerely that we don't. I don't think you will only end up with these situations, I've often felt in many conferences where people have talked about out of town versus the High Street and so on. I have always argued as a Nation we are becoming more convenience orientated, so if you can't park your car in town, people will shop out of town. If you can't feel safe in the N.C.P. car park attached to the out of town Shopping Centre then you'll do your shopping in town, so when it comes to the weekly shopping and the best place to work is out of town, then people will do that rather than coming into town. Now I think that is a major factor

that we will be considering, not just for today but the future. People want their Walkman, their Microwave, they want everything just where and when they require it and if your offices are in town and people can't park then they will not be attracted to them if they are out of town and it is cheaper doing so, then people will be attracted to it and so on, but there are all these factors to take into consideration. That to me is one of the most overriding things of all that we discuss with the developers of Shopping Centres and all kinds of retailers, even people in offices. If you give people the convenience they will make use of it. We have become a bit lazy.

Question

So that is the first item on the agenda; what you actually do with the building comes second place to that?

Answer

Well no, its a bit of a balance but we are talking about Shopping Centres, it is a simple fact that if you can get people to it conveniently and although you have to retain them in their environment and make it not too traumatic an experience getting out again and finding their way around, then they will actually come back and use it again. So what you find say at the Metro Centre in Gateshead we have been retained to refurbish parts of the Metro Centre and what John Hall has done is that he has gone across to America and he has these massive structures out of town and he has thought of a great idea; lets do that here and to his credit he has been brave enough to do it. He is the first one to put his head on the block and actually do it. O.K. Grants are helping but what he has forgotten about are the basic elements that make these things work, like orientating people, making it easy for them to get into the car park, making it easy for them to find their car again, helping them know that British Home Stores and M & S is there. When you relate that back to the High Street, the High Street inherently has its Police Station, Market Cross, its Library, so what we are doing with a Centre like Merryhill is before it is built addressing these kind of problems because it will be the next biggest to the Metro Centre. We are solving these problems before it is built rather than return one and a half years later.

Question

The scale of the Shopping Centre must surely be important?

Answer

Yes, I suppose we could look at the scale as a way of shifting the centre of gravity. If you just put two or three shops down there would not be enough to pull the centre away. The odd thing is that everybody one talks to who has developed or is developing in Newcastle, is refusing to say that their share of the market has dropped since the Metro Centre opened. Others say that it has increased and trying to find the truth is extremely difficult but I would think it was marginal; some places may have dropped about 5%.

Question

Do you think that is permanent?

Answer

Well that is really a difficult question to answer because all these Centres are refurbishing. Now if they can start to show that something better is coming; to say Eton Square.

Question

Do you have a technique of advising people that it is full here?

Answer

Population is a static thing and then it moves, the number of people that spend money on any particular thing goes on anyway but why do they go there. Often it is something fresh that attracts them. You are pinching someone else's customer. There is a general cost that is borne.

Question

Is that how you sell design to the financial element?

Answer

On the basis that you need to do something better in order to draw the customers from somewhere else is one aspect of the value of design. I think the overriding thing about the value of design are that people's aspirations are continuing to grow, so the whole population is much more visually aware of what is going on elsewhere. Their needs are constantly being fed by something new. They are better travelled, even if you go through A B C D social levels

you find that they are all better travelled, better educated and their aspirations have just been drawn on the vanguard of that, so they will be turned off or if you like turned on by something that really is not as exciting as what they have done down the road, or what they have done in San Francisco because they are seeing what is happening elsewhere.

Question

What you are really saying is that change is design led?

Answer

Well yes but really it is consumer led.

Question

You mean that the consumer is being tantalised by good design or is it good design follows the consumer, surely that is the question?

Answer

I think it is more a feeling that there is something out there that is better than themselves. If we look at the soap operas on television we find the American Dallas etc. have an enormous pull and someone said yes, but so does Eastenders and Coronation Street, but if we ask who do those who watch these programmes aspire to—it is Dallas, and also people can relatively cheaply reach Spain, Greece and all these places and they want to live in this kind of ethos and tell them they have got to go back to the Arndale Centre with a dark dismal car park and a reputation for mugging and they are just not interested, not interested at all. Provide them with a better environment and they will go and seek it out, particularly if you can park and take the kids.

Question

Have you had a failure?

Answer

As a Shopping Centre, no. In fact it is an unfair question as we have thirty Shopping Centres on the board currently and only two have been completed and both of them have been very minor refurbishment projects which have really been geared towards a rent review and therefore have built up the pace of traffic flow. Another one we are doing, like redevelopment of the centre of Manchester, would be potentially a £200m project but these are on the

drawing board and have not yet had the chance to flop. However, in the retail situation the reason things work or do not work can be thirty or forty. For example, one of the things that never worked that we did was the Food Halls in the British Home Store units and Denis Cassidy, who was the Chief Executive at the time, was delighted by the appearance of the Food Halls and a lot of people still miss them but we could never get the distribution right to them because going for a more wholesome fresh produce it implied that it had to be changed quickly rather than lying on the shelf and to fear up to what Marks and Spencer have been good at doing for many years penalised them very heavily and they shut down the food units. Now you know we didn't think it looked very nice but the reason they shut down was distribution. There have been other incidents where the design has been totally wrong, none thankfully that we have been involved with. The example I am thinking of is Millward Shoes who at the time we were trying to convince BHS to go away from blue which is a cold masculine colour and go for something more like coral because 80% of their customers are women even in the gents clothing. So why a more feminine colour scheme. Millward themselves were turning from that kind of colour scheme back into blue at the advice of one of our competitors and it never worked because it was going totally the wrong way. They were creating something that was not going to meet the aspiration of their customers. There is another point which comes through with another client we are working with, the Co-op. They asked us to look at a Super-Store in the Midlands. The architectural scheme was very nice, indeed it won an award, but the interior lacked any cohesion at all and in the wake of what other Design Consultants are doing for people like Asda, the first reaction might be to do a better design than that but that is just a designer's dream and it does not hit the target market the Co-op is after and our duties and the task was not to design up but actually to design down because their method is C, that's about it and what is going to attract them; we have designed an interior which works for them and the merchandise that the Co-op bring to the store is to aim at that market, so that it was a difficult design solution to reach but it was very successful. No, this design is not going to get in to Designer Magazine but will it make the cash registers turn over. It will mean that they will not alienate their existing customers.

Question

You're really saying recognise the market?

Answer

Exactly, I think that is the value of design, that design must be wedded closely to the clients' brief and to the target market. It is no good designing vacuum.

Question

Is there a saturation point?

Answer

Yes, there is, you could walk up and down the High Street and they all look very pleasing aesthetically, really nice, but it's not actually working for the retailer, because everybody is exactly the same and they haven't looked at the niche market, selected that out, and really gone for it. We have another client who we are working with to develop a nationwide chain of retail outlets where the product is very explicitly targeted to A and B, really very tight and we are developing a total new concept particularly for that market. It is not price sensitive at all and it is not over designed, it is purely aimed at making this retailer the most money he can for his products. Again some completely tailored for the market.

Question

Do you spend a lot of time with your clients?

Answer

Yes, the front end loading of our projects is quite intense, we are very good at rolling them out, but what we do is spend a lot of time with the client developing the brief so at the end of that stage we jointly own it. It is your brief we have worked at with you and the concept is one that we both do together and it is not after six weeks of discussions we say—Ah, it is like this and the client says that is not what I thought it was going to be like, so we invest a lot of time in this area.

Question

Do you find your clients are surprised at that?

Answer

Sometimes, they are exposed to it because they have worked with us before and they simply come back because they like it. Others do it differently but this is the way we work at McColl, we do find it works for us and our clients.

Question

Do you put any money into your projects in terms of investment, so that you become part of the client body?

Answer

No, we don't invest in the projects in the sense that our income is totally dependent on the income from clients for carrying out work for them, we don't have any funds in the background that we could use to channel into projects to help fund them. It is an interesting concept but we certainly are not in a position where we put our necks on the chopping block.

INTERVIEW WITH FITCH & COMPANY, LONDON

Question

In your Company literature you clearly say design has a value. How do you value it?

Answer

It is believed that our leisure time is expanding but we believe that it is contracting and what is happening is that our leisure time is being perceived as being more valuable because we want some form of payment for all the things we are doing at work. We are working harder and earning more money but we are putting in the hours, so we actually want some form of satisfaction when we actually stop. That has led to a way people perceive their time from people wanting value for money to the desire for the experience for money. People want to gain an experience that they can carry away with them. You know it is a memory they can talk about with friends at work, they can share with their families. So it is experience for money versus value for money. Now whilst that is going on at the same time there is a fundamental change in the way that people taste things. Two examples of this : the arrival of McDonalds in the fast food industry has resulted in a standard or level of service which has become a base level from where people judge all levels of service to that extent from catering to cinema. At the same time on the High Street people are seeing changes constantly occurring. Over the last twenty years the High Street design has become part of people, so that design is something that people no longer misunderstand. It is now part of their everyday lives when they think of Next, they think of this designed package which is the way things are presented what their product is. So it is part of their subconsciousness now. So we are becoming a design literate generation. If we take a new product like a catering outlet that is going to have, say, thirty units, he has to be aware of these changes in perception of the customer which has occurred. People wanting experience for money, people having base standards of service which they expect and people naturally absorbing design environments and expecting them. So, to be ahead you have got to respond to that which means you have got to establish design requirements. It has become as important as doing your market research, as doing proper economic feasibility. The design of a product is equally important but if you go to a normal design practice architects, they will give you a design solution to a particular product

but what we try to do here is to expand the definition of design because the design which a classic architectural or interior design practice will give you is limited. It deals with less than a third of what design in the real sense ought to be because you cannot isolate the colour of the walls, the colour of the carpets, what the doors are like from the way you are greeted when you go into a place from what the graphics are like from the way a product is marketed. So we talk of design in terms of a total experience. You can break that total experience down to three time zones.

1. Before the experience

What makes a person go into a shop? How is that product being marketed, why is it in people's minds, is it something they see as they pass it for two years and eventually go into? Is it something they have seen advertised on television? Is it something friends have told them about because they have had a wonderful time? So, before the experience is an important element in design and one not normally taken into account.

2. The experience itself

What is it about any particular environment our experience that makes it special for people and there are so many situations where that influence is felt from colour to music and so on.

3. After the experience

Because people have less time, because they are buying experience for money, they want to take away with them from any situation a memory, people are buying memories.

If you take all three and if you concentrate on those and recognise they are all part of the overall design process, then you can develop a product, be it a restaurant or whatever, which has a competitive advantage through design.

Question

You also are prepared to advise on funding?

Answer

A lot of clients come to us because we present an idea in visual terms, they can use that presentation as a base for receiving funding.

Question

You present things in a visual form to get money?

Answer

Well what we do is we set up a team from the Company and together with a representative from the client and with any other economic advisors that may be required. That team will put together the correct package which will be the most easily fundable in certain circumstances, that is something which this Company's input is the most important part of it. In others it is an economy advisor which maybe more important.

Question

Where in the circle of events do you start thinking straightforward economics or design?

Answer

Oh, they are hand in hand. I think if you go to most people in the Company, the best problems that they like to get into is when a client says I want this new restaurant put on to my building. A public building I don't have any funds for it, I want you to go away and put together a package which is going to make people come forward and lay £1.5m on the table. We love these and they are happening more and more. We are doing one at the moment for a major theatre in London, the theatre looks very tired and needs refurbishing. How can we afford to do it? They don't have the money to do that but we have put together a package which has interested franchises so much that they are actually willing to do the investment in order for a contract from the theatre.

Question

You are in a very subtle way becoming the client?

Answer

We are not developing as such but rather providing the competitive advantage to our client. We are enabling, indeed in order to enable, we put people together, we put products together.

Question

How do you accomplish that in a firm this size?

Answer

The Company is now a body of 360 people, so it is quite a sizable organisation within the organisation. We employ Architects, Interior Designers, Graphics people, Package Designers, Furniture Designers, also Retail Consultants who do the economy side of any new retail feasibility or Shopping Centre feasibility. Then we have Engineers and Quantity Surveyors, so we can put together a complete package for a product from its corporate identity to the way he can fund his project and even how to market it, you have to recognise that before you do it, otherwise you are missing out on a third of your opportunity.

Question

Do you provide a full in-house implementation?

Answer

Yes, the closest example is Debenhams in Oxford Street where we are now doing a roll out programme for all the Debenham stores. The Oxford Street store was the standard design used in all their shops which we took the centre out and formed a large atrium with the circulation going through the centre which has considerably increased the turnover since it opened last year, which they see as a direct result of having gone through the total design experience from before to after. We had a Midland Bank recently and the first five test Banks that were opened down in Bristol we took the complete image of the Midland Bank and turned it on its head and produced a new Banking environment as a response to their dwindling customer figures. I believe the danger about the Design Industry is that there are many people around who believe that design is the answer to their problems and they get sold a line about the design going to change everything and it does not. I think it is because design companies have not understood what the nature of design as the total package is.

Question

Do you work with the standard rental valuation table or are prepared to ignore it and try and push up rental values using quality design?

Answer

We are working on a project in Docklands where we are the lead Consultants and always one of the first requirements we have when putting together a professional team is to bring on board Letting Agents right from the very beginning because their influence is so strong whether you like it or not, it is much easier to work with them and understand exactly what they are doing, and their influence on a scheme's success, right at the start; it radically alters the way you design, by bringing them on early you can understand the fundamental reasons behind what they are saying. Most of it is common sense. They can sell a shop by the waters edge next to a boat with a wine bar in it. By being right there at the beginning you can accommodate these sort of requirements whereas if they are brought in late, like after outline planning, it is already too late, it has gone too far and the client in the end suffers because those guys do have their ears to the ground, they know what is selling and what is not and what the value of the design in terms of square footage and what they can sell.

Question

Shopping comes under your leisure?

Answer

We required an Architectural practice last year and it is now providing us with area. ^{Specialist THS} We cover Shopping Centre environments together with projects like exhibitions, sports facilities, Water Parks and all that sort of thing and shopping is so much a part of leisure. We are again involved with a Developer in Docklands where we are converting a number of 18th and 19th Century warehouse buildings into a mixed shopping, Festival market environment, going with things like multiplex Cinema, Museums, another destination in the docks.

Question

Do you provide a service advising the client whether he should build or not?

Answer

Yes, in many circumstances we recognise the importance of other specialisms and we will bring under the umbra of Fitch, Market Analyst. We are doing one at the moment where we brought in a Psychologist to look at the human responses to our proposals for a client who wants a pro-type and she is working under the umbra of Fitch and is part of our responsibility.

Question

The design package begins with market research?

Answer

It can start even earlier than that. I think of the most important responsibilities of a Designer is to tell the client when he does not need what he thinks he needs. The classic example is of a client who wanted to build a new Distribution Office somewhere in the Midlands and were advised that they would be better off buying nine mini buses. It would make more economic sense than building, having the ability to stand back enough to understand what is really behind someone's requirements is a skill that does not exist, it is something we just have to work at.

Question

How do you gauge what level of design should play in a project?

Answer

I think in every project at the end you should be able to assess the extra revenue you have made because you have to approach the problem in a design orientated direction. Now that is the ultimate aim but there are lots of situations where you can't quantify what it is but probably the easiest environments are the retail environments, shopping and catering environments, where you can point a client in a specific direction and force him to come to terms with every aspect of his product from the way it is marketed to the way it is designed, has resulted in an increasing sales of that much. Now the science is probably no more simpler than that.

Question

What would be your approach to something like an Airport Terminal?

Answer

We, much on the basis of defining revenues as existing and exposing clients to the direction that consumer trends are moving in and forcing him to make decisions as to whether he wanted to go in those directions, and if he does not, making sure he understands why. We had a client who came to us, he said he was having real problems getting this through planning. Please go and draw something to get it through. Now it was a Housing Development. Now we turned it from that sort of client approach to exposing him to why he

was in that sort of situation and what possibilities existed and what was a crowded Housing Development is now turned into this balanced atmosphere of housing together with Retail and Office Development, creating a small town rather than a Housing Estate, and that same client now comes along to meetings and says the problem with planners is that they just do not understand what the ability of design can do.

Question

Using design as a lever do you get your clients to spend more money?

Answer

I think it is important to define what the cut off point for a client is and why. I hate designers who believe that a client's resources should be a direct reflection of that on that drawing boards, if a client has got £0.75m to spend you have got a responsibility to design to that or say that it cannot be done.

Question

Promotion of the product is, I feel, very important. Do you as a Company involve yourselves in promotion of the whole product?

Answer

We have a communication division which is made up of corporate identity packaging and product, so they put together a total package and product for a client but we are not a P.R. agency and do not have any intention of becoming one.

Question

How much would you do on a speculative basis to get a project going?

Answer

Well it would depend on what the project is and our understanding of what the client is, whether we have worked with him before and so on, but in a lot of circumstances we find that one of the most interesting approaches is to find out whether a client is taking you for a ride or not. You want an office building doing for £0.75m. You want us to do a speculative scheme to get through Planning? Well alright, but we will go 50-50 in the design fee. So we put 50% of the fee in the pot and ask them to put the other 50% and it is amazing how that sharpens the mind.

Question

Have you ever considered going in with a client where you get a percentage of the profit rather than the design fee?

Answer

Have you discussed contracts with clients on the basis of "this is our budget, for every £100,000 you reduce our budget without affecting our design, you will get an additional fee" and we have tended to step away from that because it is very difficult to maintain your integrity, but I bet that you are going to find that in the next five years we will be involved in development work.

Question

Have you noticed a perceivable difference in the attitude of your clients?

Answer

The developers we have dealt with in the past have tended to look at it from a very commercial view, or have tended to over the last few years and it is all on the rental value, what they are getting back out of the scheme; not particularly concerned with quality or level of design. If the rentals are right the scheme is right as far as they are concerned. What we are finding now is that retailers are starting to take an interest in design and realising that design is important if they want people to use their facilities and shop in that facility. The general level of that scheme has to be far better than it did in the past. They are looking at it in a superficial way, really saying that design is important and we will have this element into our scheme but they don't take it seriously once you start going down the line, once you start getting involved with the Contractors and the money side of it, then you find, Oh, we didn't realise that it was going to cost that amount, we didn't realise that level of finish would be that, I'm afraid we have to cut back.

Question

Is their idea of design cosmetic?

Answer

Very much so I suppose. One of the interesting ways to help you is how we work. On a lot of schemes we are brought in on a conceptual level, doing retail strategy on the front end of a

scheme. Now what we do at that stage and what we are probably good at, is getting the right strategy together initially by designing the foot print correctly. We can actually maximise those profits far beyond what we originally thought. A lot of developers do not work on that basis, and it is hard to really say, let's hold on a minute, let's stop and think about what we have done; rationalise the strategy, who we are aiming for, what we are trying to do, to achieve, and by going through the design at that level, it is certainly going to help because often you go down the wrong path. Developers have an idea of what they want and we say can we be involved at that stage. Let's really look at and find out what you are doing, treating the scheme as more, what are you actually building, what are you trying to achieve? in the sense who is it marketed for. What is your strategy as opposed to looking at it just as a building. Look at it purely in just terms of this is the elevation, this is the plan. Forget that, ignore that for the time being, that comes later once you have got the strategy right, actually look at what you are trying to achieve, who is going into the scheme, what it is going to be used for, what is the market in the area, by actually putting that thought into it originally one is really getting the feasibility and the brief right. Bad briefing from clients who don't really get a brief together they say, we want a Shopping Centre with a given amount of square feet. What is it going to look like.

Question

But how do you show a developer that by targeting the market you make more profit?

Answer

It is very difficult on day one to put figures into it. Debenhams is a prime example. Profits have rocketed up since we did that job but trying to quantify that on day one is very difficult. We try and explain flow counts and how people, just through experience of shopping places, move round buildings and these sort of things and show that by doing certain things you will increase traffic flow, therefore by more people walking through you make the revenue increase. You can do those sort of design exercises but at the end of the day to put your finger on something and say yes, more people are going to spend money in your shop is very difficult but through our experience we know that good design has attracted people into Shopping Centres. People's aspirations are far higher now than they used to be and they expect better, and not many people doing buildings realises that and as you say, with many

speculative buildings they simply put something up and that is it but just by putting a little careful thought into it design wise initially, you can actually increase the thing three fold.

Question

Are you involved in non-food retailing?

Answer

They are not too bad as they are retailers, and a fairly educated bunch of people in the sense of what they are trying to achieve. As the building is often a unique building to that particular group, whereas the Shopping Centre or an urban infill is an agglomeration. When these people get together to form a Park they do push things to make exciting designs because they know the importance of the entrance, they know the importance of the parking and the ease of getting people there and the trolleys, because they realise this they sort it out at the front of the design process, whereas a Shopping Centre or a town scheme the retailer is very much later along the line and this single shed developer is acting through a retailer. He has approached a retailer and is building it for them, so he begins on a different base and by some form of uniformity, canopies or walkways, he ties it together. It is a very much easier exercise to achieve than the Shopping Centre.

Question

What about Business Parks?

Answer

In the United States the concept is a little different than here. A Business Park there is something which encompasses your working life or your working day and it is a mixture of the Business Unit—the Offices—the Shopping—the Leisure element. In common with other types of Parks it is applying the correct thinking on day one and knowing who you are doing them for. It is knowing what you want to do not only in design but in finance as well.

Question

Do you think designers ever get to understand the financial package?

Answer

Well, you get to know how much money you are allowed to play with. We have one developer in York who shows you everything he goes through and shows you how much he has to

spend and where that came from. How much people are putting into it; what his rental growth will be. He shows the whole breakdown and actually when you see that, it makes it far clearer. So, when you can actually understand what you are actually doing and you can see that if we increase the footage by £5 he has to increase his rental by a certain amount to make the scheme work, understanding the whole work which very often people don't let you into, and clear thinking initially will save time, lead to a better building process because there is simply a better understanding of the project. The building process has become very complicated and it is essential that time is given over to understand it.

Question

What do you feel about the traditional contract with the Bill of Quantities?

Answer

Clients that we deal with in the construction of Shopping Centres would definitely prefer to have the old fashioned Bill of Quantities and know what it was before it went out to Tender but they can't do it because of time everybody wants the building yesterday.

Question

What about the experience and technical knowledge of good Contractors? Do you not think that the designer should have knowledge on his board?

Answer

The Bill of Quantities is preferable because of the situation we find ourselves in and yes, I agree that Contractors have expertise we as Architects cannot achieve. Construction is so complicated nowadays. We can't possibly learn it—we are not on site, Contractors know the best methods to achieve things. You are quite right, we should be able to bring the two areas together but all we seem to get is a barrier. I am working at the moment where the design team have been placed under the Management Contractor. It started off alright but when it reached the site it ran into problems because the Contractor suddenly did an about turn and became a developer and started to do the same. Wanted this yesterday, sorry we did not allow for that and started to peel everything off. We have, and are using design and tender drawings, really these are profile drawings which give the main Contractor and the Sub-Contractor the clear profile to be achieved and they work out the method of doing, draw it and we then approve it.

Now what we are really doing is passing onto the people who are experienced and who should be responsible for particular details the opportunity to get involved. I think if this could be extended we would perhaps begin to break the barriers between different elements without really thinking about it at all.

Question

Do you think that the financial brief is clearly understood down the line?

Answer

No they don't. They don't understand it totally, even on schemes. We are working on it, it is not clear well into the scheme what actual level of money you are working with or what actual level you are trying to achieve. We are finding that comments come back and things have changed without any reason. Why then are we told that it is not in the original cost estimate, people have not made that clear on day one. You don't know where you are starting from.

Question.

You mean the developer does not understand his own financial brief?

Answer

Yes, I think so. He does not really understand financial package totally, I don't think they do enough homework about what they are trying to do and they don't get all the facts right, where everything is coming from, who is involved, who needs to be involved, what level of information you will need before they go too far down the line.

Question

Does the developer go to the various stores he wants to put together or do you do that?

Answer

No, he does that normally, sometimes without input, sometimes with it. But what happens, this is part of the bad brief, you are doing a scheme that is all drawn out and finished and then he starts talking to the people he wants to talk to, then he changes this, changes that, changes everything else, so that is what you end up with, just a mix match of things and not a totally unique concept which holds together in its own right, we find that very frustrating. My criticism of many Developers would be that they don't get the package together.

Question

Have you got any projects you feel could have been better, if that process had been followed?

Answer

That is very difficult. It may be that you get your sums right on paper and it works, and on opening day if they don't like it they don't shop in it and it is how you actually tackle the public initially. Find out what they do want and provide it, that is why I was talking about the retail strategy. We do a lot of Market Analysis before we start any scheme. We take drive times to a Shopping Centre, the population, what they buy, what are their aspirations and then you can talk to the right retailers for that scheme, so that scheme is very much geared up to what the public in that area want and then you can also work from that and bring out an aesthetic which implies to their type of personality of aspiration, or the type of shops coming into the scheme, whether it is fashion orientated or general High Street type trading, then the whole thing seems to stack up a lot better, you can also look back as you go along and you see clearly why you are doing it that way.

Question

Do you take on Management Contracts?

Answer

We do projects where something has gone wrong and a client says to us, sort it out. A classic example was that we recently project managed a hotel refurbishment in London where an American designer had done the design but were finding difficulty in implementation because they did not know how to control British workforces, so we took it and did it but it is a pain in the neck and it does not make money as the time costs are quite incredible.

Question

How early in the design process do you bring your contractor in?

Answer

It depends on the nature of your project, we will bring them on very early in certain circumstances whatever the basis of the contract. We are doing an exhibition at the moment where the programme is very tight and we, therefore, involve the Contractor at an early stage

to ensure completion on target.

BRUCE GILBRETH

We do drawings for Letting Agencies, it is important for them as they don't have a product, they need a drawing, they need something that can help people understand the concept and direction that you are doing.

Question

How closely did you work with these people?

Answer

Very very closely with the Agents. I have a lot of time for Agents because they always describe themselves as being at the sharp end and that is true, they are indeed one of our most important roles at Aztec West as tenant studies. An Agent would call me up and say he was going to have a meeting with someone interested in say 100,000 square feet 50 offices etc. We would drop everything and produce a tenant study for him. This would be an A.1. drawing produced in a day or two so that the Agent could go to the meeting better prepared than any other Agent who may be trying to sell something further down the road and although you don't go in and have a designed building really for that client, what you have done is created confidence in the development and the team, even if they are going to use their own Architects. You have also created confidence about the site. We are talking about a good site and could fulfil the requirements.

Question

This is co-ordinated with the selling agent and his information and did you meet his client?

Answer

Oh yes indeed, and yes I often did meet the client but not always.

Question

At what stage do you meet the agents?

Answer

Well I think that in most cases the team meet too late in the day and round a table where they are trying to make sure they have a position on the team rather than come to the meeting as a member of the team and that can destroy any project and leads to so much misunderstanding. I never meet an agent that is a bad guy, at the end of the day they want to do deals, do

business and if they are not out there doing deals Architects are not designing anything. It is a little like, in nature, when someone introduces sparrows to deal with grasshoppers, it upsets the balance of things and there is a very fine tune/balance that keeps this whole machine running along and the agents play a part in it. Business Parks are after all largely speculative and you don't know who your tenants are going to be and sometimes you build buildings without tenants and the buildings may be speculative on a speculative Business Park but at the very least it is a speculative Business Park even if all the buildings are pre-let, so there is a certain amount of risk and all those people play a very important part in that. In Aztec we design a Pedestrian Mall which ran though the middle of it to help pull the thing together. In the terms of master plan that is the very first objective and creates value. Then a category down from that to create equal land values across the entire site but people are built to think, especially in Industrial Estates, that the only land of value, or the prime land, is always that land which is adjacent to the entrances into the site and so you start with that as your number one problem and you try to neutralise that because if you can't deal with that what you are going to have is a lot of your development which has very little value and won't be making its contribution to the infrastructure of the landscaping and all the other things you want to do and I often say that, that is an attitude only Industrialists take but what you want is the attitude Bob Hope and Frank Sinatra have in Beverley Hills, they don't live up front, they live way in the back and you have to turn it around and create environments at the back which may be exclusive but if not exclusive at least desirable. Now the first tenant at Aztec occupied a site at the back because of the Water Gardens and the infrastructure and the quality of environment and for me that is a clear case of design having value and having created a high land value then anyone had ever guessed that they would ever be able to achieve. The idea of putting as much infrastructure as Aztec was, for the reason of allowing the client to make the right decision about where a potential tenant should go if say a cold store wants to go on the site and the Park can take it if you have to have the infrastructure to site him where it is best for the Park. Those people move quickly and if they cannot sign a deal in three or four months time, then they go somewhere else and so you have got to be able to respond quickly.

Question

How did you convince your client that design could raise the land value?

Answer

Well we have been lucky to have intelligent clients, they will listen to a good argument. Now I don't think any different from others initially but if you make your arguments coherent it helps a lot, and a good drawing. I think any Architect will tell it is not the drawing that counts but the building after. However, drawings do play an important role in creating confidence in allowing you to get away with a few things you might not be able to otherwise, we put a lot of effort on that. Anytime we have the opportunity to take a client to see something that works and is good, that is the best thing of all. In Aztec we took this attitude right down to designing the trim track. We did it in metal so that it can be instantly repainted. You cannot let any slurs against your Park, if someone damages your entrance sign you need to fix it within a few hours, not a few weeks, and the same with the trim track. If we had gone for very sophisticated finishes we could never deal with it on site, so we used an agricultural paint that is used constantly outdoors. Turning to our latest project, Capability Green, here again we were involved from the very start in conjunction with the landowner and Fletcher-King. In this Park we, because of the housing on the boundary of the Park, created a buffer zone which came to something like five or six acres, i.e. five or six acres which would normally be within the heart of the development and everything here might have been a bit looser. Business Parks become easier when they cover large areas, you can find the space to make big statements and finding land available for Water Gardens and Malls and lush landscaping. Aztec was a hard-nose commercial development with a lot of the densities approaching 40% and I think that Aztec is just a clever set of illusions, you drive through this tunnel of vegetation with absolutely no idea that there are massive areas of car parking on the other side, so you have got to spend your money effectively and you have got to design so that things are being put in the most appropriate places. The infrastructure has only been completed at Capability Green and we have constructed two buildings and successfully let them. There are other Architects involved in the Park but it is in the spirit that we remain as Co-ordinating Architects and we invite other Architects to get involved. The Green is difficult as it is only half the size of

Aztec, 925,000 square feet is what we are heading towards. We have to do work for Trafalgar House Industrial when it gets down to something like 20 acres, and I can tell you it is almost impossible to make any kind of statement. The drawing on the walls is not an Artist's impression, it was a drawing we did as a test. I don't draw a line until I talk with the agents and we knew that we had some valueless fields and we now know at the time that highest commercial land value at the time in Luton that had been achieved was something like £100,000 an acre less than a year after starting construction, we sold 4.5 acres for £430,000 an acre and we turned down an offer of £0.5m an acre on one site and we let the first building at approximately 50% higher than being achieved in Luton. Now how do you get from a piece of wasteland to the highest land values and rental values in the area. There is nothing happening in between except design. Provision of services infrastructure is included in bridge design and getting your roads right and getting your services and sub-stations right and everything else. Design is not an altruistic gesture, it has a purpose in life, it is there to create something and I think if you gave a blank site to master plan designers of different disciplines they would approach it in different ways. I think our appraisal is very commercial frankly, but that does not mean we are not at the high end of design. That is our goal whether we are or not, that is what really drives us. If you gave this same job to a planner, especially, it might have a more social sort of bent and that might tend to be something that had to be supported by Government because the commercial world would not help support it. If you ask an Engineer to design, he would be another approach, and so on. I think there are different ways of approaching a master plan but ours is a very commercial approach in close relationships with the Letting Agents. The agents informed us of what the market demands, although we did encourage them to look at deeper buildings. However I think we have managed to pull it off, we have got marketable buildings, we are going to have a lush landscaping scheme, we are going to have a sense of organisation, we will increase land values around the site that are correct.

Question

Did your client give you a budget?

Answer

On the building yes, always on the building, but no, not on the infrastructure, we simply carve out what we want to do and get a cost against it. It was either acceptable or wasn't. On Aztec the infrastructure cost around £4.5-5m. In infrastructure involved widening roads and buildings, a bridge across the motorway and we also moved power lines off the site. On one part of the site we have engaged another firm of Architects who are at present working on a design as part of the marketing process. We will have a design only on drawing and then go and sell it. This way we hope not to build on a speculative basis.

Question

Did you use the standard contracting system?

Answer

Yes, I think there is no reason that the traditional system can't work as well as any other new idea but I think we must be able to improve the thing. However we let the contract on meeting the Site Agent, it is not the lowest tender.

Question

You see your role as being involved in the whole project, not just the bit in the middle, the building?

Answer

Yes, we have been involved with the creation of the brochures for the Park. It is not an area I want to grow into but we did not like the first brochure so we got involved. But yes, design at every level. We also have a model on display at the site with a promotional video and that is where we introduce clients to the concept. When there is no project that is all you have, your drawings, your model and your words and you have to make the best of them.

INTERVIEW WITH MR GUSACK, FITCH & COMPANY, 25 MARCH 1988

Question

How do you show your clients that in speculative buildings particularly, Quality Design is worth money?

Answer

There are two views about property. The old axiom—there are three good constituents in a good development, location, location and location. However, the other is best expressed by Stuart Lipton's statements, 'Good Architecture makes good rent'. The fact is developers are aware of quality but that does not necessarily equal what an Architect means by quality. Since the Second World War there have been some stable constituents in British Office Design. There has been some changes like the floor to floor has got higher, floor plates are getting deeper but one ingredient that has not changed is the Commissionaries and Chandeliers, as well as the predictable idea of quality, equals fine toilets and finishes.

Question

Would you agree that there is a shift from the traditional fitting out of a speculative office block to the pure shell and core operation?

Answer

Oh yes, and for obvious reasons,

1. You have less to finance up front.
2. You are always targeting at a pre-let situation and it is much easier when a client feels he has not got to change things before he moves in.
3. You have a little more room to manoeuvre.
4. Everybody thinks it is a great idea but remember shell and core can mean what you want, e.g. buildings which have raised floors and carpets but no wiring or buildings that have trunking and raised floors but no wiring or no trunking and no wiring under the raised floor.

Question

A problem of indecision?

Answer

No, the real problem is that British Architecture has had no real successful curtain walling until quite late. Indeed, the Smithsons in the early Sixties wrote an essay on this where they describe the clean and crisp details of the latest multi-storey office block and since then the real game has been about windows and glazing in office blocks. What it has actually done is left people creating buildings without regard to the interior and it is a little surprising that people don't get both. You know it is easy to get an office building right and the fact that people haven't has got to be one of the mysteries of the age, whereas there is nothing surprising about people getting housing wrong.

Question

If it is easy and we now have the ability to create curtain walls, why do you think we are getting it wrong?

Answer

I think we (Architects) do not realise certain aspects of office buildings, e.g. no-one worries about where the column lands in relationship to the skin, you know, the forty foot width, and Architects seem never to have understood how tenants seem to work, also that Architects always begin with a high ideal and then say that they end up working for a developer and for some this is not good, somehow they seem not to want to question the developer and just accept what he wants.

Question

Do you think Developers care about what they build to create profit?

Answer

There is a new kind of developer, the well known P.L.C. Developer, Companies which I call the actives: Speyhawk; Rosehall; City Developers and so on, these people are not averse to spending, particularly because the market has been starved of good buildings in the cycle of supply and demand. They see rental growth as important. Another thing is that as the lease runs out on the Sixties buildings it has coincided with the micro-chip. Suddenly in say the last four years, refurbishment has gone; re-cladding, re-glazing, re-wiring have also gone. Today it would seem that most people want to avoid the mistakes of the past and develop some sort

of quality. Turning to the Sixties buildings, someone at Reading University did a paper which showed that their real value was reached after twelve years, and it has been laziness that has kept them going.

Question

You used quality, what do you mean by quality?

Answer

In my view there is a difference between quality and utility, e.g. in toilets Developers think that quality is to give better cubicles, tile them completely and a nice light rather than just a batten fluorescent. Quality is what we should actually make them a bit bigger, especially female toilets. What people like to have is the plumbing arranged so that it does not cost an arm and a leg, to have a little tea and coffee station on the floor; other things would be in the lobbies. The general assumption is that the core Corp of Commissioners staff the lobbies of office buildings, but this, in our experience is not really true, we get lots of work from offices who want to incorporate the lobby into their corporate identity, so that what you have is receptions of marble—marble desk, marble floor, which needs skid mats when it is wet, concrete planters, tiled of course, chandeliers and all the rest. Everyone says in all honesty marvellous. I actually say to developers I think at last it wants to be a thin sheet of plasterboard which can be knocked down quickly, expanded or re-shaped.

Question

Do you think we should treat speculative building like, say the development of the new super fasttrains?

Answer

We ran a small conference which was called "Property is a Product". Far too much is made of things like wires, I call it the moving mouse. I mean, there are all sorts of attitudes to offices, the idea you work better when you all face front and other things like this derived from school days. It is very hard to get designers never mind developers, to tackle those little accidental corners where people actually lean against the wall and chat. There is an increasing trend to make the office an organism or a mechanism although you do find some marvellous examples of British Victorian paternalism. Companies that have been winning awards for export can

often be the worst. In Liverpool we are working for Littlewoods who have 2,500 people working in a fourteen storey building, that is 360,000 square feet and they have no-one able to do any planning or evaluation of what Department should go where and their furniture was about 20 years out of date. One wondered if they wanted any proposals. In truth they do not worry about it,—if you don't work for Littlewoods who do you work for.

Question

But that is about looking at the market?

Answer

Pre the Big Bang in the City we ran a kind of Market Research programme. We are looking at the league table of firms and their size in the City. What we did was to make up a list of the top twenty five firms and how many people they employed in London; we exempted all the big Banks. We found the Americans, for the size of capital deployed, the number of people employed in London is enormous, while the large Japanese and other European organisations had very few people. What we said was that there must be a great correlation between assets and staffing; now that was two years ago. Last year we researched the number of employees in professional firms. What we found was that because of the growth of Finance and Commerce, due to Big Bang, Law Firms have both grown and amalgamated. The top ten Law firms were displaying extremely fast growth and we found some of the Law firms were employing 1,000 people, in fact in terms of office space they represented a big slice of the demand, indeed greater than the Japanese.

Question

What you are really saying is that Market Research is a must?

Answer

Yes, and I am saying these are the sort of things you have got to do. Of course, there is a gut feeling but the gut feeling is being able to see that the disused Goods Yard would make a Shopping Park or warehousing will make great housing or offices and then you target your finishes with people who have up-to-date tastes. Lastly, you bolt on the goodies, you know, the Health Club, galleries; just like the Car Industry and other similar products.

Question

Do you think that you should spread the wings of Fitch into actually selling and marketing the buildings or indeed other areas?

Answer

I am very intrigued by the way Developers, funding bodies and Estate Agents interact. Somewhere along the line someone takes a view, I mean a project or site will go round and round until a view is taken on how much they are prepared to inject into a location to turn it into a building and they are all doing this in an active continuum. The element of any business is to buy low and sell high, so any developer is looking for a way to turn something into profit. As to Fitch, I am not sure. At the moment we do market lots of buildings as there is a lot about a building an Architect will want to say about a building to a tenant that an Estate Agent would not bother about, here I mean about the quality.

Question.

Do you think that Estate Agents are a block to pushing the market level up, thus encouraging a better quality of tenant?

Answer

Yes, that is a good argument, people are not price sensitive and I agree Estate Agents are a block but it is because they operate in deals, so the less overheads they have to spend the less thinking they have to do, the less information they have to have at their fingertips the better. My own view is that you can niche market buildings, the assumption has always been that the location will attract the kind of tenant, up to a point that is true but I am not sure that is the whole truth. I feel you can tailor your building to a far greater extent than people realise and sit back and wait for the tenant to find it, e.g. the kind of image conscious firms, like Advertising Agencies, will be drawn to a different kind of building than say Accountants, and I think you have to work closely with property research people, indeed we are doing this sort of thing as I said earlier.

INTERVIEW WITH MR McDONALD, BRITISH LINEN BANK

Question

When presented with a project what do you look for?

Answer

Yes, well if I can quote from our own yearly report about the project Dalzell House. We founded this project simply because of the track record of the Developer. We had previously worked with them and we were happy and sure about their ability. Dalzell House was almost 100% funding but has been a great success.

Question

Did you try at any time to assess the quality of the project?

Answer

Yes, we viewed the estate as existing which was in a terrible state but the plans presented to us showed conversion was possible and that quality was very important in Dalzell House, the response would not have been the same if it had been run of the mill development.

Question

Did you do any market research for the project?

Answer

No we did not. However, we had to ensure the marketability of the flats once completed, but no, we did no real market research.

Question

Well who advised you on the marketability?

Answer

What we generally do, we ask for an independent Chartered Surveyor or Building Society to have a look at the proposed development, obviously we have a gut feeling about the project.

Question

Is their word then law?

Answer

No, it would weigh very heavily on us but if we could be convinced, say by a Developer, we would seek second opinions but if the first report comes back a bit sceptical it does raise

questions.

Question

Many people see Surveyors and Estate Agents as a barrier to an increasing market. How would a Developer convince you that his project will increase the market value?

Answer

Well, we would look carefully at the Chartered Surveyor's figures and look at the proposal in the worst case and found it working at the worst case level, we would be prepared to go ahead and if there is an uplift in the rentals then it is obviously to the Developer's credit.

Question

What are the main factors you look at in a development?

Answer

Oh, location, the expertise and a demand for the product. In terms of expertise, again the track record, proven ability and ability to get the job done.

Question

You have been very secretive about your involvement in the Development field?

Answer

Yes, we have in the past been very reluctant about having a high profile but we have now published a Corporate Brochure which will help in the new image and widen our field of activity.

Question

Are you now looking at projects with a view to your own corporate image?

Answer

Well it is good when we have a project that enhances the Bank's image but the Bank's bread and butter comes from speculative Housing Development or development which may not be assessed as having quality, albeit that are financially sound, they are going to produce returns. Of late we have taken a more considered view of property to market and we now look very carefully at any development which is properly related and we have found even in the Private Housing market we are backing better quality projects and developers. If someone comes along with a group of boxes we might look at it and if the figures worked and we can get

in and out of the project quickly, we may well back it but if someone comes along with a slightly different proposal for a quality development on the site they would get a much better response.

Question

Your involvement is then dictated by the amount of money you may earn?

Answer

Yes, we are here to make money but if it is a quality project we are even more interested.

Question

Your Brochure suggests you work together with a Developer but does that mean you help him sell on?

Answer

Yes, we do help in that area. We as Bankers, and remember we are Merchant Bankers, offer perhaps a wider service than a High Street Branch. We feel in this area of banking that we have to be closer to our clients than normal High Street, who, although funding a Developer will only see him once or twice a year, however we meet the Developer on an on-going basis, to go out to the site at various stages of development.

INTERVIEW WITH MR HENDERSON, CLYDESDALE BANK

Question

In our telephone conversation you believed that planning or its inappropriate use, has had a detrimental effect on quality?

Answer

Well, look at Glasgow, just look at what they have allowed to happen to the City in the last twenty years. The beautiful buildings that have been allowed to go down, the Greek Thomson, you know what I mean.

Question

Would you agree that economics play the major role in the final outcome of a building?

Answer

Yes, and here I have some sympathy with the Architect but when it comes down to it, economics dictate everything but it does come back to the Architect to some extent. You can go to say four Architects and say, there is a Million Pounds and give you £800 a metre and you will get four totally different solutions to the problem. Now one of the Architects is going to give a building that has quality, it has that something extra and perhaps the others will give a competent one.

Question

You have involved the Bank with many Listed Buildings, why?

Answer

We have quite a reputation for looking after things that are old and adapting it to a modern use.

Question

Does that have a value for you?

Answer

I think we do get a bit of recognition from those who are interested in that field, I am a great believer in using what you have got and improving what is good for that area. Strathaven is a little village and although it was not a Listed Building we created something that sits very comfortably in the village.

Question

Well, I can see your obvious satisfaction but what does the Bank get out of it?

Answer

Civic Trust Awards, G.I.A. Awards.

Question

But does that generate more business?

Answer

I would say it does, don't ask me to quantify it but I believe in it passionately and I have no difficulty in getting the Board to agree with me. So yes, the Bank from the Board on down believe there is some merit in it and that, by and large, is the line we pursue.

Question

Could you try and quantify the gain, is it staff relationship, customer relationship?

Answer

Well, staff get very used to things, when moving here eight years ago staff kept the place tidy but now, well, it no longer seems to matter. In one of our new Branches staff have been there for four years now and still look after it like new, but that is the Manager who formed a Committee to look after the premises; it all comes from the top.

Question

Do you work with Developers?

Answer

Well, I don't arrange loans for them, that is the Bankers, but I do frequently get developments to assess.

Question

When you assess a development, what is it you are looking for?

Answer

Really marketability, is it going to let, is it in the right place, I have got to say that we do not assess the design.

Question

Don't you think part of the Design may be it's ability to be marketed?

Answer

If I was the Developer yes, we put this building up in 1979 and that was at the time when the Midland Bank owned the Clydesdale and there was always a quiet question of the Bank, so this building was designed a commercial building.

Question

Yes, but when you assess a product do you ask will this attract a new market or any market?

Answer

Yes, when speaking of Branch Bank it is the attraction of that Branch that the building will pull people towards it. I am less certain that would be the case as far as let-ability of a commercial building is concerned because I think at the end of the day the tenants are looking for location, location, location.

Question

You still think that holds today?

Answer

I am bound to say that I do, I do agree with it but I think that is the way at the moment but I see it changing, I think folk are wanting more for their money. We are about to open a new Access Centre and we are looking at two buildings. The hi-tech Northgate and the Guild Hall in Queen Street. Now we went for Northgate, it has the real image for our use, whereas the Guild Hall was the wrong image. However, we have leased some 18,000 feet in the Guild Hall and we are going to use it for a Service Department and influence customers there simply because of the presence the building has.

Question

What in terms of image would you look for in an assessment?

Answer

Well, with a little bit of effort on the part of the Architect you can create a little more and not necessarily at great cost.

Question

Would you agree that the Burrell Building has done more for the commercial image of Glasgow than any single building?

Answer

Yes, I would accept that agreement.

Question

You do look at quality, it is important?

Answer

Yes we do, we may be a little lucky in that we are Bankers first and then get involved in development, so that allows us to be a little less commercial than a Property Developer but when we have done this we have never been left with a white elephant on our hands that cannot be let. We were involved in a £12m project in London and it was let from day one; a Listed Building but we ensured the internal area was well finished and the public area well designed. People have a choice and therefore one has to be careful but in Glasgow there is not the same choice but then quality does seem to be on the increase and that may be a combination of Developers and Planners. The market too may well be a factor that is pushing standards. I do believe that there will be a spin off from the great office boom in London. The most expensive office in Glasgow at the moment is £12 a foot, that will go up but there will be an overflow from London and they have a choice in London and they will be looking for choice here. The Broomielaw Scheme is a good example where you can see change. The project has much more to offer in terms of landscaping and similar things.

Question

Do you think projects would be better if the Architect is allowed a stronger voice?

Answer

Oh, that is how it should be yes, but it will be a long time before that happens. The Architectural Profession has lost so much credibility over the last 10-20 years both in aesthetics and their ability to handle the commercial elements of their projects. In general it would seem that the profession appears to say get this job done quickly and where is the next one.

INTERVIEW WITH MR L E WINGROVE, MOBIL EXPLORATION LIMITED, LONDON

The major difference between the Developer with his speculative building and developing a building, is that he has to develop for profit while we develop from our profit. The Developer has to put money up front and we can spread the load. The real need for our development is that we felt that it was time to bring our many Departments into the one building, which was made possible with a reduction in staff, some rationalisation in office practice. We develop the office according to our space standards set by the Board, so we have individual offices on the perimeter of the building and the free space in the centre where we erect our free standing half height partitions which give both visual and sound privacy or the sense of it. Now in this building we could not have a raised floor for services as the levels would not match the speculative building we rented on the edge of the site and now own, but I am not sure that the raised floor is the way forward, you end up with wires all over the place. The office partitions are easily removed and we do move them. The other thing we believe to be important are the doors. As you see we use solid timber doors, it gives a far better feel to the whole office. We believe that we are good employers, or rather we aim to be, so we take the needs of our staff seriously. Yes, their general demands about the work environment has risen, which we have tried to meet but whether that improves productivity is difficult to say, we certainly have far less complaints about the new building from the staff than some of our other buildings and those who have worked here and have been moved to other offices, certainly seem to want to return; if staff are happy with their surroundings then yes, we believe they work better.

There are so many other things involved in attracting staff that one would find it very difficult to say that the office environment was to be considered as one. Its location may be when one thinks of transport, you know, near to the Underground and buses, but we are in the heart of London so there is no trouble; well, it could be that people don't apply to us for that reason, we are in London but most staff here have been with the Company for a long time. Our public image is very important but remember we are a world-wide Company and I suppose our image is generated by the pumps rather than our office buildings but nevertheless we are awakened to the particular need of Corporate image. When we look at a building for rent it really is

location that matters. The location must be right for us before we even consider it. Now in the main, buildings for rent are awful, the Sixties buildings in particular are really extremely bad. In that respect, after location has been satisfied, is how best we can use the space and produce an environment to our standards. Now speculative developers here know when some clients view a space they have no idea what to do with it, it is not their business to know about space; figures, law or whatever is their business so the developer does not really worry too much. Now I do think shell and core is a good idea but the shell and core have to be good and fit to last. At the moment we are proposing to take on a lease of a building and I think we will then spend in the region of half a million on the internal environment, rip out what is there and replace and, of course, when we leave we return it to what it was before. It is often better to do this than accept a building of higher quality. The rental value on a higher quality building may be too high and its growth rate too strong, so it may well be a much better financial proposition to spend a large capital sum in order to save in rent and rental growth.

It is always difficult to justify building cost to the Board and indeed ourselves, so I argue that costs and their long term effect on the Company are very important and truthfully that is the first thing we look at. Maintenance cost-in-use are vital to a Company's budget. I suppose if I had to advise a Developer on a building I would say he must pay particular attention to his market research, the maintenance and management of the building, cost-in-use, access to both public and private, which is often forgotten, and flexibility of the usable space.

INTERVIEW WITH MR L DAVIS, THAMESMEAD TOWN

The Town of Thamesmead was the brainchild of the G.L.C. back in the late Fifties and early Sixties. They saw the area as the last vacant site for expansion of any real size in London so they began the Town in the typical fashion of the time, concrete construction and long slab blocks. The break up of the G.L.C. offered a range of possibilities for the Town. The Residents were asked what direction they should like to follow and they selected this strange animal called Thamesmead Town.

Thamesmead Town is a Private Company which raised its money from the City. We simply held up our only asset, and raised money against it and the profits from the sale of the land for development will be used to pay back the initial purchase from the G.L.C. any change left over will be ploughed back into the Community. The Company is non-profit making, so no individual gets a return on shares. The present Chairman was appointed by Central Government and he has three other Directors appointed to the Governing Board. Along with them are representatives from the Community who are elected by the Community. The only restriction is that they should reside in Thamesmead.

The Town site is the old Woolwich Arsenal and the land was contaminated with the waste from the organisation; also the whole area was subjected to flooding, however we have tackled both of these problems and have been very successful on both counts. We were then clear to move ahead and sell land for development. It all sounds easy but I should point out that many of the staff transferred from Local Authority to the new Company because of a commitment to the Town, which I believe has played a big part in shaping the Town and our success.

At the outset we almost had to give the land away to Developers as they were just not interested in the area which had a poor image and a matching reputation. However, we have never been prepared to allow Developers what they thought was sufficient for the area. We believed that the only way forward was to change the image and use quality design to do that, so when we began to develop the land prices were very low but we asked for high standards from the Developers; high standards in both Architectural form and detail; space standards; and urban layout. Landscaping was also considered important and indeed we now press our

own Landscape Architects onto every Developer. We found that we had to create a visual pleasing environment with quality developments for two reasons. First to attract people to come and live here and secondly to attract the right kind of developers for future projects.

Our methods of selecting Developers is a little unusual, we offer a site to Developers along with a list of six Architects. The Developers are left to link up with one of the Architects and submit their scheme. Now they also know that they will be in competition with another two groups. Developers seem to like the three to one ratio, they feel that way, they will get an opportunity at a project. We keep an eye on both Architects and Developers and only select those who are currently designing or developing good quality projects. Our aim is to be able to encourage the top Architectural firms and Developers down here. Risk is probably a Developers main problem and the fact that we own the land gives us a lever to both ease his risk and demand quality. We are prepared to take staged payments from Developers for the land which makes it easier for him and his cashflow situation, lately we have joined with the Developer. What I mean is that we set the price of the land at the outset of the project but to help achieve good quality and contain risk, we will accept a lower payment for the land in return for a share in the profits. The share in the profits depends on how much of the land price is waived. We have been surprised by the results, we exceed the expected profit on all of the projects we have tackled this way, indeed we hope to do more.

The Company is not the Planning Authority, Greenwich is the Planning Authority and indeed the Local Council for the area. We work as closely as possible with them and have tried very hard to get a project off the ground with Greenwich, to attack the bottom level of the market. As yet as we have attacked industry in the same manner but that is our next area. We will use our land ownership in the same way to encourage a better standard of industrial building. The Shopping Centre Development is an ongoing project at the moment where we are actively trying to encourage better standards but Retail Trade are already aware of the need for quality. Our success has stemmed from our commitment to quality, at first we had to struggle to obtain it, our only weapon was low land prices but the result has been that quality has attracted quality and with it an increase in land value and the price we can ask. Indeed at first we had to look for Developers and Architects and now they are asking us for an opportunity to build. We

have learned that you must make the whole environment attractive and by doing so you will attract better development. Nevertheless, our ownership of the land has given us the ability to negotiate, guide and demand, but more importantly refuse Developers and their projects unless they achieve our standards. Indeed no land or contracts are signed until planning permissions is granted by Greenwich.

INTERVIEW WITH MR STOCKDALE, I.B.M., WINCHESTER

Good design means good business, yes we would still agree with that today and it comes from the Company's determination to be the best. That being that it offers the right product designed for the function required at the right price and the customer will buy it and be happy to return again. Our aim is to make the customer feel secure with us and his products.

Now one of the ways we try to ensure that good design surfaces is to look after our staff in a reasonable manner, in a way to relax them and help them cope with the pressure placed on them. On this site we have a range of buildings built from the early Sixties through to the Seventies until this last one which has been completed for about a year or so. In our last building we spent a great deal of time looking at the internal environment, much more than before, I feel the results have been good. We do get less complaints from the staff in the new building, now that is not just because it is new but rather because the quality of the space is much better. A simple thing—we made the corridors a little wider, not much, just a little, and people move much easier. The heating and the lighting can be individually controlled, the range of control is limited but people do have the feeling that they are controlling their own environment. We have introduced Art Work, in the main Abstract paintings hanging on the walls. Interestingly everyone thought they were awful so we took one or two away and the reaction was demands to have them back, so we felt the staff were beginning to identify themselves with not only their offices but the bits and pieces around it. Identification with their surroundings help people relax and thus cope better with the pressure they are exposed to; make less mistakes in the work and generally perform better. The better the quality of their environment, i.e. in your terms the better quality design with reference to function, individual control identity, the happier the individual will be and yes, production from him or her will be enhanced. However, we have no way of quantifying this. I don't think our improved environment actually attracts staff. Well, when someone arrives to be interviewed for a vacancy how much does he know about the office environment, indeed he might not even be interviewed in the office he is to work in. No, I don't think the environment helps to attract staff but I do think it helps maintain them once they have committed themselves to the Company; how much again, very difficult to quantify but you must remember that there are other factors

involved when one wants to attract staff or staff deciding to go.

Morale is very important and as I have to point out we believe the environment has a part to play in terms of identity which we think will aid morale but again there are other factors, such as job satisfaction, career prospects. Yes, a quality environment may certainly play a part in morale, probably most in the area where the tea machine sits in the new building, seating area where staff can sit and talk.

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